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Restaurant Business

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Exporting our foodservice expertise page 157

Spotlight: West Germany 176

Why Wienerwald collapsed page 166

McDonald's page 168 strategy in Japan

Denny's plucks El Pollo Loco page [illegible]

Hard Rock Cafe page 114

LATELINE page 281

Check Builders page 233

Restaurant
Business

November 1, 1983 VOL. 82 NO. 14

Contents

COVER STORY

Exporting our foodservice expertise

Our special international issue features a comprehensive update of U.S. chains operating overseas plus the following special features: McDonald's strategy in Japan; Spotlight on West Germany; Why Wienerwald collapsed; Israeli chain Sami Burekas; France's American style fast food chain, Chicken Shop; Ponderosa's expansion plans in Great Britain; My Kinda Town, Chicago-style restaurants thrive in London; Westin's Las Brisas in Mexico; and Denny's acquisition of El Pollo Loco 157

MENU IDEAS

Check Builders
This month in the *Restaurant Business* Test Kitchen, food editor Kathleen Sanderson shows how starters/appetizers can help boost customer traffic and sales . 233

FEATURES

Hard Rock Cafe
With a Cadillac perched atop its roof, this flamboyant LA restaurant is generating $4 million in annual sales 114

Int'l Hotel/Restaurant Show
A schedule of events for the 68th annual trade show being held at the New York Coliseum, Nov. 13-16 124

A taste of New York
A compendium of new, trendy, and classic dining establishments in the Big Apple 132

Marketing
The pitfalls of positioning ethnic restaurants 142

Driving While Intoxicated
A look at educational/training methods available to restaurant operators....................146

Phillips Crab House
Described as a tradition on Maryland's shore, Phillips' family restaurants rank among the nation's highest volume independent operations 196

Bully Boy Chop House
What began as a small roadside diner almost 50 years ago in Congers, NY, has evolved into a trendy, multi-million dollar restaurant 202

DEPARTMENTS

Sanitation Tips 2

RB Insights 12

Calendar 228

Editorial
Culinary team needs support to compete.....................22

Up Front 26

Menu Planners Guide 60

Book Reviews 82

Trade Quotes 88

Personal Finance
Ginnie Mae yields attract investors 92

Tax Bite
The decision to incorporate.....96

Management Psychology
How to sell a new idea 106

Executive Profile
Barry Florescue, Horn & Hardart 112

Education
John Bowden, Johnson & Wales 208

Drafts, Carafes & Spirits
A world of warm drinks 213

Bar Management Guide 220

Raising Your Equipment I.Q.
Broilers make their mark......222

Equipment Maintenance
Ice cream cabinets 226

Buyer's Circle 230

Design Marketplace 241

Restaurant Stirrings 264

Promotional Spotlight 268

Worth Writing For 272

Classifieds..................274

Lateline....................281

Cover by Mark Fresh

West Germany

Market offers potential for U.S. investors

Chains probing this market of $1.2 billion should grow by 10 to 15 percent a year.

West Germany offers some interesting market opportunities for the U.S. chain looking at expansion. With the right concept adapted to the particular market, West Germany—like other European countries—could be a very dynamic new market for U.S. companies.

In 1982, the Top 20 chains in the West German foodservice industry achieved over $1.2 billion in net sales, which accounts for about 10 percent of the total foodservice volume excluding hotel restaurants and in-house catering.

In West Germany, the food and beverage industry numbers about 200,000 units—restaurants, bars, pubs, coffee houses, etc.—for a population of approximately 55 million. That works out to 275 inhabitants per restaurant, compared with 809 persons for every foodservice establishment in the U.S.

Most of West Germany's restaurants are "Bier-Kneipen," mainly serving beer but offering a few local dishes. These restaurants have low profiles within the industry and their expectations for a long and profitable future are comparatively limited. It is not a surprise that the West German food and beverage industry ranks first in bankruptcies filed and that every fourth restaurant changes hands at least once a year. But, as in other trades, insiders expect essential changes in the present structure, especially by aggressive and expanding chains. In most of the cases these chains have been more successful in handling marketing and staff than the smaller companies with their limited financial and marketing potentials.

The Top 20 numbers 1,740 units, plus 640 units on West German railways; the group achieved average unit sales of more than $500,000.

The remaining 197,000 West German foodservice outlets with sales of $11.6 billion average annual sales of $60,000; in general a chain-operated unit made about five times as much in net sales as its independent counterpart!

Unfortunately, West Germany has no official restaurant classification system, and it is difficult to compare the different types of establishments with the American market. We have tried to group the Top 20 into five categories: ● The typical snack and family restaurants with mainly limited menus and no table service. Located in middle class areas, these restaurants have total annual sales of $457 million; ● department store restaurants, with sales of $370 million; ● fast food restaurants, with sales of $318 million; ● steakhouses, with sales of $77.3 million; and ● so-called "dining restaurants," with $38.1 million in sales.

Observers believe that the chains will increase their business in West Germany by about 10 to 15 percent per year, and the independent restaurants will continue to lose about the same portion as the chains increase. This translates to a lot of opportunity for American chains in West Germany.

Maredo, a young and dynamic steakhouse chain which ranks 16th in the Top 20, is number one in sales per unit with an average of $2.5 million per restaurant.

Since the collapse of Wienerwald in 1982 (see page 166), McDonald's has risen to the zenith of West Germany's Top 20 with sales of $176 million from a total of 169 units (including 82 franchise units). McDonald's intends to open between 15 and 20 stores per year in West Germany.

Second-ranked is Wienerwald with annual sales of $151 million from 359 units (199 franchises). It is likely, however, that Wienerwald will not hold this position since the reorganization of the whole group will result in a considerable reduction in the total number of units.

Third is Lufthansa-Service with net sales of $127 million from operations in several different markets.

About half of the Top 20 are owned by department store chains or food manufacturers, or are located in the tourist business as a secondary profit center (for reasons of either diversification or client service). About 10 of the Top 20 follow a single concept format—like McDonald's or Weinkruger—the rest offer two or more marketing concepts. An example of the latter format is Nordsee with its fish restaurants, snack corners, and Hamburger Farm restaurants.

The figures for the Top 20 come from the companies themselves; where this was not possible, the editors of the German trade magazine *Fast Food Praxis* made reasonable estimates.

There is a huge market for American chains in Europe, but it must be remembered that Europe is not America. When McDonald's entered the West German market in 1970 they needed many years to understand the market, and most probably they began to make money only five to six years later.

The so-called "hamburger boom" is already over. Many companies in this market segment have failed. Wendy's and especially Burger King continue to struggle hard. Not only has Burger King changed its top European managers five

continued on page 279

TOP 20 CHAINS IN WEST GERMANY

PARENT COMPANY, LOCATION	NAME OF CHAIN	TYPE OF RESTAURANT	1982 SALES IN MILLIONS*	NUMBER OF UNITS AS OF 12/31/82	NUMBER OF FRANCHISEES
McDonald's, Munich	McDonald's**	fast food	$175.0	169	82
Wienerwald GmbH, Munich	Wienerwald**	specialty/family	150.0	359	199
Lufthansa Service Gmbh, Frankfurt	Airline Catering***	specialty/family	127.0		
Deutsche Schlafwagen und Speisewagen GmbH, Frankfurt	restaurants/ railroad facilities	snack	69.0 40.0 (109)	640 20 (660)	
Hertie Waren- und Kaufhaus GmbH, Frankfurt	Hertie-restaurants Wertheim-restaurants Bilka-restaurants	department store	(106)[E]	120	
Kaufhof AG, Köln	Kaufhof-restaurants Kaufhalle-restaurants Sam's Quick	department store	77.0 24.0 5.0 (106.0)[E]	84 75 13 (172)	
Karstadt AG, Essen	Karstadt-restaurants	department store	90.0	153	
Nordsee Deutsche Hochseefischerei GmbH, Bremerhaven	Nordsee-Quick Nordsee-Snack Corners Hamburger Farm	fast food	46.0 25.0 6.0 (77)	125 175 7 (307)	1
Horten AG, Düsseldorf	Horten-restaurants	department store	44.0	58	
Mövenpick Restaurant-Betriebs- und Handelsgesellschaft mbH, Stuttgart	Mövenpick Silberkugel	full-service fast food	38.0 2.0 (40)	20 3 (23)	
Kochlöffel GmbH & Co. KG, Lingen/Ems	Kochlöffel	snack	38.5	110	
Kaub & Kuffler-Gruppe, München	Doctor Flotte Wurstkuchl Tangente and others	fast food	23.0	70	
Jacques Borel Deutschland AG, Düsseldorf	Churrasco Barbecue	steakhouse	17.5 4.0 (21.5)[E]	20 5 (25)	
Burger King Holding GmbH, Wiesbaden	Burger King	fast food	21.0	26	10
Block House Restaurationsbetriebe, Hamburg	Block House Jim's Restaurant	steakhouse fast food	18.0 2.0 (20)	12 5 (17)	
Maredo GmbH & Co. Betriebs KG, Sindelfingen	Maredo Steak & Salad	steakhouse	17.5	8	
Schickedanz KG, Fürth	Quelle-Restaurants	department store	17.0	24	
Wendy Restaurants GmbH	Wendy	fast food	10.5	14	
Schaper, Hannover	Realkauf Extra Esbella-restaurants Continent	department store	10.5[E]	30	
Weinkrüger Weinhandels- und Gaststätten GmbH, Hamburg	Weinkrüger	specialty	9.5	29	
TOTAL 1982 SALES			**1,213.0**		

** without hotel-restaurants (total sales)   **sales of franchisees incl.   ***untypical restaurant situation   [E] estimated*
Source: German trade magazine ***Fast Food Praxis***

West Germany

continued from page 176

times and its headquarters three times; it appears that European Burger King licensees are dissatisfied with the American parent.

To operate successfully in Europe it is imperative to understand that Europe has none of the market uniformity of the U.S. There are tremendous differences from country to country in labor, real estate, and regulations, not to mention languages, consumer-eating habits and taxes. Moreover, problems vary from one country to another in finding competent management, in training, and in unionization.

Over the past two years, Europeans have experienced dramatic changes in lifestyles: today there are more singles, more working women, and smaller average households than ever before. Working hours are shorter, leisure time is longer, and eating out is on the rise.

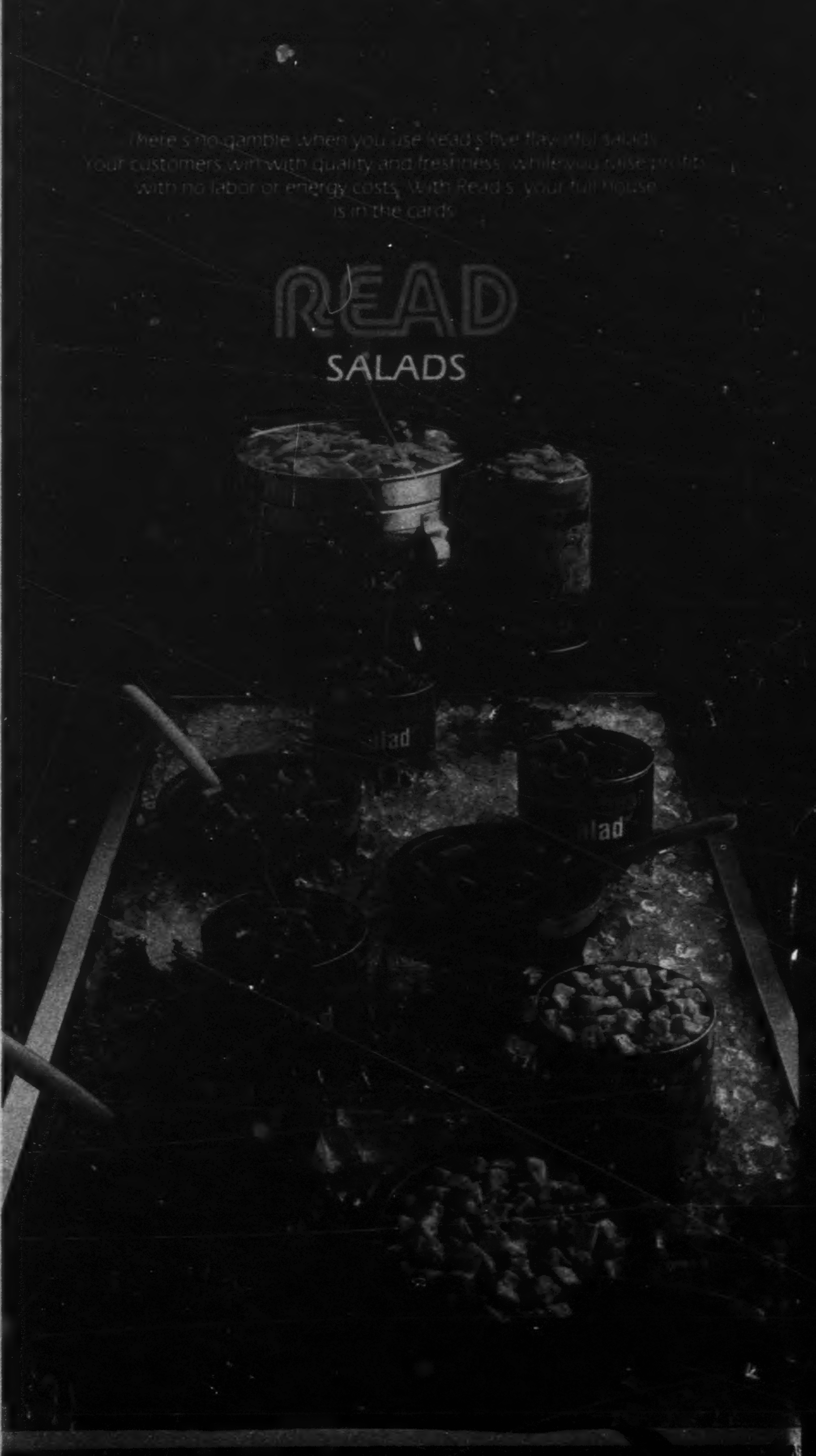
The European chains are hard pressed to fill the niches created, and it is here that American companies could successfully enter the European market.

The American chains have advantages that are obvious: They have systems; clean concepts; training programs; test kitchens; the know-how to work with unskilled people; financial and marketing savvy; and experience with operating multiple stores. In a word, the Americans are professionals compared to the somewhat "hand-woven" European companies.

The best way to enter the European market is to look at what is happening in Europe, to speak to some of the professionals, and certainly not to buy expensive research material prepared by non-professional research companies.

The European market is an ideal joint venture market. American know-how and systems combined with European management skill seems to be the factor behind the successful venture in Europe.

Ten countries in the European market have about three times as many restaurants as the whole of the United States. The question automatically arises: Where is the future? ☐ —Charles Fessel



There's no gamble when you use Read's five flavorful salads.
Your customers win with quality and freshness, while you raise profits
with no labor or energy costs. With Read's, your full house
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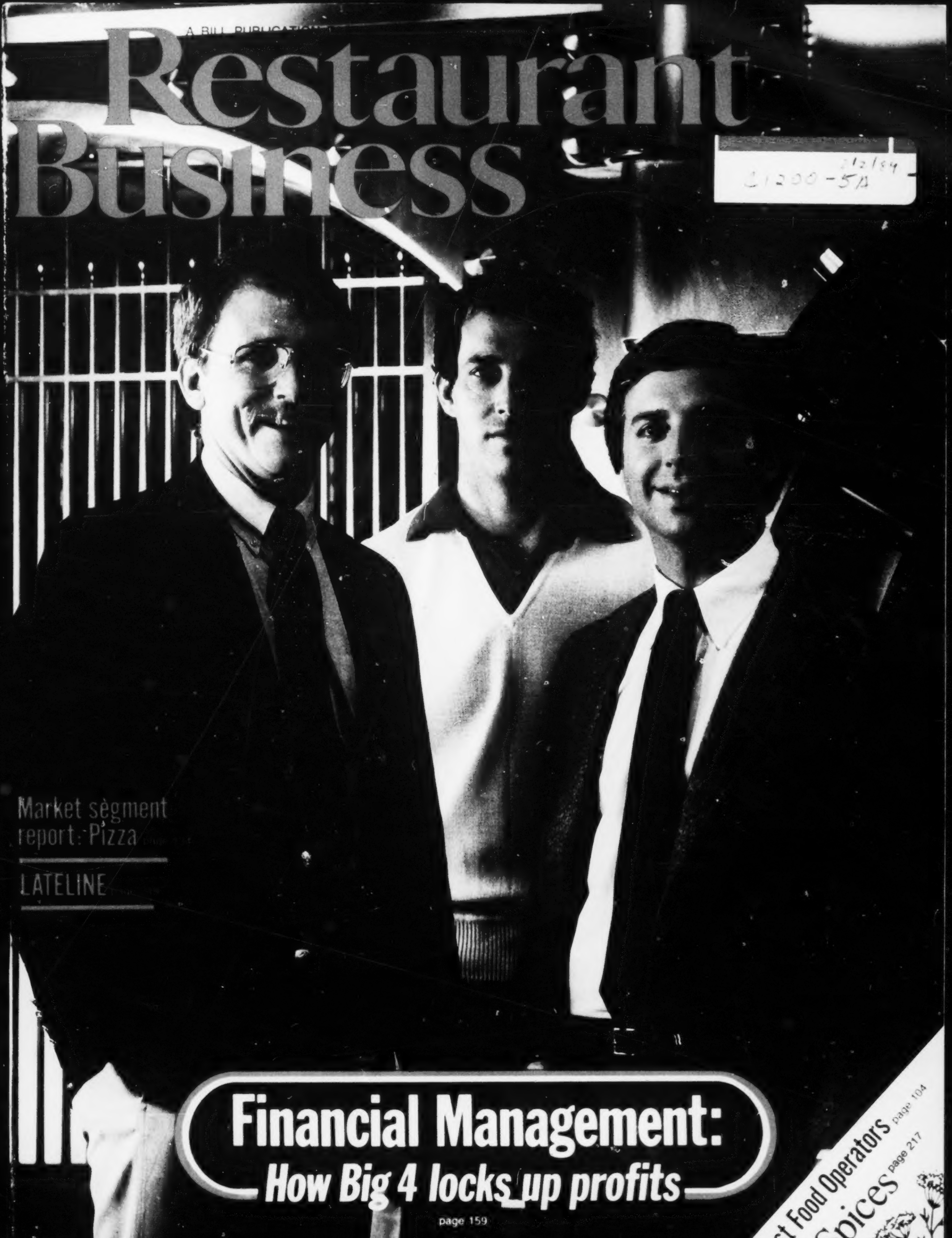


Market segment report: Pizza

LATELINE

Financial Management:
How Big 4 locks up profits

page 159

Fast Food Operators page 104

Spices page 217

Restaurant Business

February 10, 1984 VOL. 83 NO. 3

Contents

The retail area of Pop's, one of four Big 4 concepts.

COVER STORY

Financial Management

Savvy financial planning can make or break an otherwise promising restaurant. In this special cover story, *RB* analyzes the long term financial objectives of Big 4, a Phoenix-based multi-concept chain set to grow from 10 to 17 units in 1984. An accompanying article explores the financial considerations for evaluating and making business decisions 159

On the cover are Big 4's partners (l-r): Rich Rabin, Lee Cohn, and Bill Marcus.

MENU IDEAS

The world of herbs and spices

This month, in the *Restaurant Business* Test Kitchen, food editor Kathleen Sanderson shows us how the addition of herbs and spices can turn standard dishes into specialties of the house 217

FEATURES

Fast Food Operators Inc.

Diversification is the key to growth for this New York-based company—the only publicly franchisee in the country...... 104

Hala/Bazaar

This prototype in West Hollywood, Calif., specializing in Middle Eastern cuisine, is developing plans to expand its combination table service and fast food concept nationwide 118

Market segment report: Pizza

In the first of six special market reports, which will run in every third issue, RB analyzes the trends in the pizza segment which accounts for the largest share (9.9 percent) of all restaurants in the U.S. 134

DEPARTMENTS

Sanitation Tips 2

Calendar 12

RB Insights
Spotlight: Seattle 14

Editorial
COEX: Expertise exchange 24

Up Front 28

Menu Planners Guide 46

Trade Quotes 60

Personal Finance
How to invest excess cash 64

Tax Bite
Reducing profit sharing costs ... 69

Operations Savvy
The rating game 76

Management Psychology
Committing verbal sabotage 84

Data Control
Simplifying the budgeting process 88

Executive Profile
Gene Stone, Skipper's 94

Dining With
Victor Rosellini 182

Energy
Black Angus' will to conserve .. 190

Drafts, Carafes & Spirits
The cordial connection 197

Bar Management Guide 202

Raising Your Equipment I.Q.
Beer and wine dispensers 208

Buyer's Circle 212

Design Marketplace 225

Worth Writing For 226

Education 242

Classifieds 244

Lateline 249

Cover Photo by Rick Rusing

Market Segment Report

Rocky Rococo's pizza by-the-slice satisfies lunchtime customers.

Pizza turns chic as sales soar

by Jacque White Kochak

In New York City, Joe at the corner pizzeria serves a thin-crusted product with spicy sauce, just a little cheese, slices of Italian sausage, and lots of green pepper in a small storefront. He's the only employee, and he knows most of his customers by name.

In Hollywood, a high-style chef serves a product he also calls pizza, but his is cooked in a wood-burning stove, topped with smoked lamb, sautéed eggplant, and roasted peppers, and this is served to movie stars.

They're both in the same blossoming business, one that is becoming more competitive and creative as customers become more sophisticated in their preferences. Pizza sales increased 155 percent in the last five years, and new statistics from the Restaurant Consulting Group Inc. show more pizza restaurants in the U.S. than hamburger restaurants. Pizzerias account for 9.9 percent of all U.S. restaurants, while hamburger restaurants account for only 8.7 percent, according to the group's "RE-COUNT" study.

The future looks rosy, operators across the country agree. "The pizza segment is super bright right now," says Ted Murphy, vice president of marketing for Nebraska-based Godfather's Pizza, with 850 units and annual sales of almost $400 million. "When the country was going through a recession, pizza sales just kept growing. I think it's because of the nature of pizza. Eating pizza is a social, and sharing, occasion. It's fun, and more than just a fueling occasion."

The image of pizza is changing, too. "I see a rapid emergence of pizza as a status food," says Aaron Spencer, who is developing upscale Pizzeria Uno restaurants nationwide. "For so long, pizza was thought of as junk food, but now it is leaping out of that category. People are being creative with pizza. Pizza is being recognized as suitable for a meal rather than a snack, and is making a quantum leap into full-service dining."

As customers' expectations of pizza increase, leading pizza chains have upgraded their products or are in the process of doing so. Giant Pizza Hut led the way in 1980 by introducing its Pan pizza nationwide, while in the meantime increasing sales systemwide by almost 30 per-

continued on page 138

Pizza *continued from page 134*

Pizzerias are the most prevalent type of restaurant in the United States today, accounting for 9.9 percent of all restaurants.

cent, says spokesman Mike Jenkins. Pan pizza presently accounts for from 75 to 80 percent of pizza sales, he adds. Now both Godfather's and Domino's are testing pan pizzas, and Pizza Time Theatre will roll out an upgraded pizza soon.

Another significant trend is the emergence of lunch as a significant day-part for some pizza restaurants. Again, Pizza Hut led the way with its introduction in March of an individual pizza. Massive nationwide advertising implanted the idea in customers' minds that pizza could be served fast enough for lunch.

"Pizza Hut does 'generic' advertising that benefits all of us," says Spiro Athanas, vice president of marketing for Bloomington, Indiana-based Noble Roman's Pizza, which operates 78 units primarily in Indiana and Ohio.

"Pizza Hut does missionary work. Thank you very much," adds Wayne Mosley, vice president of Madison, Wisconsin-based Rocky Rococo Pizza, a rapidly growing chain of 30 units in the upper Midwest.

Restaurants that serve video games and life-sized, computerized entertainers along with their pizza are virtually a segment unto themselves, but in this group things are happening, too. Special effects are reaching new heights of creativity, and in response to softening sales some chains are taking a sharp look at both their food and their fun.

What's happening in the world of pizza depends a little bit on what part of the country you're talking about. Pizza continues to be most popular in the Middle Atlantic, New England, and East North Central states, where Italian immigrants and their descendants opened up small pizzerias for neighborhood clienteles. Chains have had a particularly difficult time succeeding in New England and the area around New York City.

Noble Roman's "Lite Size" pizza is part of its new lunch program.

"The big problem with New England is the people's allegiance to the local pizzeria," says Pizza Hut's Jenkins. "And it's also hard to wean people away from the particular taste they're accustomed to. If they give you a try, they say 'Well, it just doesn't taste the same.' However, Pizza Hut is doing a lot better in the area with its regional variations. We do realize the limitations, though."

In the Northeast pizzerias are mostly small, independent, and extremely traditional in their approach. However, small regional chains like Dedham, Massachusetts-based Papa Gino's, which grew out of a neighborhood pizza shop in the predominantly Italian community of East Boston, do thrive. And in New York, stylish eateries are experimenting with the "gourmet pizza" popular in California.

In the Chicago area, pizza is just as popular as in the Northeast, but there pizzerias are a bigger business. Restaurants like Gino's East, recently acquired by Collins Foods, gross as much as $4 million a year serving Chicago's favorite, deep dish pizza. Deep dish pizza, reputedly invented by Ike Sewell at the original Pizzeria Uno, gave birth to the pan pizza popularized by Pizza Hut.

Pizza is so popular in Chicago that pizzerias fill eight pages of the city's phone book, according to a spokesman for the Chicago-Illinois Restaurant Association. Local chains dominate the market, including nine-unit Giordano's; Jake's International, in the suburbs; Barnaby's, owned by Bally Manufacturing; Nancy's; Connie's; and Edwardo's.

The rest of the country belongs to the national chains and to strong regional chains with names like Big Cheese Pizza, Straw Hat Pizza, Noble Roman's, Rocky Rococo, Pantera's, Piece of the Pie, and Marino's. They are particularly popular in the Midwest, where pizza and

continued on page 142

Prego's wood-burning ovens produce distinctive, upscale pizzas.

Pizza ranges from the old standby sausage-and-mushroom served at pizzerias across the country, to haute cuisine specialties prepared by the likes of Prego and Spago.

beer seems to be the chief diet of college students, young dating couples, and families.

Pizza is least popular in the western Sunbelt states and the Far West. Only 6.1 percent of restaurants in the West South Central region are pizzerias, and only 7.7 percent in the Pacific states.

Restaurant Business interviewed restaurant operators throughout the country to gather details about how they respond to significant trends. Here's a round-up of strategies.

Gourmet pizza

Wolfgang Puck at Spago in Los Angeles is widely given credit for inventing "gourmet pizza," though his assistant Wendy Matthews modestly says that Chez Panisse served the exotic product first. Nevertheless, Spago has become famous for its unusual variations on the usual tomato sauce, mozzarella, and pepperoni.

The first difference is that Spago's pizza is cooked in a very hot wood-burning brick oven, which cooks pizza in about eight minutes and eliminates soggy crusts.

One pizza is made with duck sauce, tomatoes, fresh oregano, garlic, and made-on-premises duck sausage. Another features sun-dried tomatoes, basil, and buffalo-milk mozzarella. Yet another is made with artichokes, shitake mushrooms, leeks, and red peppers.

Spago's pizza looks like a "real" pizza, but tomato sauce is rarely used. Spago serves a full menu. Pizza—priced from $7.50 to $9 and serving two people—is usually an appetizer. Spago's clientele is extremely upscale, mainly well-heeled figures from the entertainment industry.

The two Prego restaurants in San Francisco and Los Angeles, owned by Spectrum Foods, offer more traditional variations on gourmet pizza. Prego's pizza also is prepared in a wood-burning brick oven, because that's the way pizza originally was made in Italy. "At Spectrum, everything is old-fashioned and labor intensive," says president Larry Mindell. "The oven gives the pizza a smoky, wonderful taste. The expense is four times as great, but it is worth it."

Chef Franco Galli makes his own sauces from fresh tomatoes, and uses cheeses imported from Italy. Ten pizzas are offered as entrees, all serving one person and ranging in price from $5.95 to $8.95.

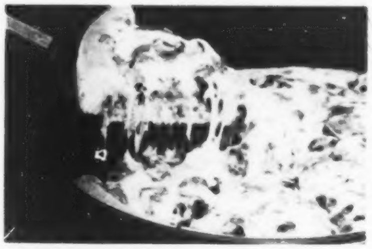
All pizza is thin crusted (Mindell says thick crust is really Sicilian), with dough pulled by hand instead of rolled. Pizzas include "Quatro Formaggi," made with mozzarella, fontina, gruyere, and taleggio cheese. The "Puttanesca," or "woman of ill repute," is made with fresh tomatoes, black olives, capers, cheese, and oregano. The "Della 'Adriatico" is made with slices of vine-ripened tomato, shrimp, mozzarella, and fresh basil; and "Trevisana" is made with Italian ricotta, Italian goat cheese, and mozzarella, topped with slices of imported radicchio and walnuts.

Prego specializes in Northern Italian cooking, but pizza is so popular that it accounts for 30 percent of sales. Sales are boosted by the fact that the oak-burning oven is in full view of customers as they walk into Prego. The oven is also used to make calzones—meaning "sock"—the folded-over and stuffed pizza popular in Chicago and the Northeast. Prego's calzone is filled with Italian ricotta, goat cheese, mozzarella, sausage, fresh basil, and parsley, topped with oil and basil.

Both exotic gourmet pizza and more upscale, traditional pizzas like that at Prego are finding a market in sophisticated centers like New York City, where Cafe Fiorello is serving both. Owner Shelley Fireman serves a changing menu of five pizzas each day, plus a special, at his two restaurants. At one restaurant pizza is primarily an appetizer, at the other pizza appears among the entrees.

"We will put anything on a pizza," says Fireman. "You don't have to have tomato sauce anymore. Who says you have to have sauce at all?" Fireman's selections have included a pizza topped with scallops, crème fraiche, and scallions, as well as

continued on page 146



Godfather's, recently acquired by Chart House, specializes in pan pizza.

lamb sausage, goat cheese, and porcini mushrooms. He has topped pizzas with pineapple and coconut, fresh strawberries, and apricot glaze. At a recent Sunday brunch a banana and cocoa pizza appeared on the menu.

Fireman is one operator who isn't making any great claims about the future of exotic pizza toppings, however. "The 'real' public is still happy with pepperoni and Italian sausage," he says. "I personally hate shrimp on a pizza. It gets so crazy that I'm glad to just have a pizza with tomato sauce, garlic, and a little oregano. There are always people who keep on top of trends, but most of the world eats out of habit. They're happy with pepperoni, and there's no reason in the world why they should change."

One Midwestern operator echos Fireman's sentiments. Ted Swan, a Pizza Hut franchisee with units in Michigan and West Virginia, says, "You get a rather strange view of things in a city like New York. There are so many people that you can find a market for anything."

While the more exotic toppings may never find a mass market, the experimental pizzas are the signal flags of a vast trend to upgrade pizza being felt all across the country. Pizza is keeping good company; though the chain won't give details, T.G.I. Friday's has added pizza to its menu. And upscale pizzerias, with a variety of deep-dish pizzas as well as full bars, are expanding.

One is Gino's East in Chicago, a famous old pizzeria that grosses $4 million a year. The restaurant was acquired this year by Collins Foods International, the California-based operator of Sizzler and KFC units. Collins will open 18 Gino's in two years, mainly in Illinois, California, and Australia, and franchising is in the offing. Rich Melman of Lettuce Entertain You Enterprises, who is widely viewed as one of Chicago's most innovative operators, is reportedly involved in the deal as a creative consultant. Chicago also gave birth to Pizzeria Uno and Pizzeria Due, two northside restaurants located on the same block and owned by the same man, Ike Sewell. Sewell opened Pizzeria Uno in 1941, serving the country's first deep-dish pie. "We thought regular pizza wasn't filling enough for a meal," Sewell recalls.

The success of Pizzeria Uno led to Pizzeria Due for overflow crowds. Pizzeria Due alone has served as many as 1,500 people in one evening, drawn by thick pizza piled with fresh ingredients. Success spawned a host of imitators, as well as numerous acquisition offers.

Sewell turned away all comers until he met Aaron Spencer, a Boston-based KFC franchisee. "He camped on my trail for three years, and finally persuaded me by pointing out that everybody was copying my concept anyway, and I wasn't getting any advantage," Sewell says.

Sewell finally sold Spencer the name and all rights to develop worldwide, and there are now 17 Pizzeria Unos from San Francisco to Boston. Spencer says he expects to open between eight and 12 units in the next year.

Spencer took Sewell's already upscale deep-dish product and added a few trendy toppings. He offers pizza with seafood and crabmeat, with steak and cheese, and a "pizza bianco" with sausage, garlic, and mushrooms but no tomatoes. Prices range from $2.75 for an individual pizza to $13.95 for the specialty of the house.

Pizzeria Uno is a full-scale restaurant, with liquor accounting for 30 percent of sales and both salads and appetizers on the menu. One of the most popular appetizers is "pizza skins," potato-flavored pizza wedges served with onions, cheddar cheese, bacon, and sour cream.

Picking up its cue from the success of operations like Pizzeria Uno and Pizza Hut's phenomenally successful Pan pizza, Godfather's is

continued on page 151

Art Gunther, president of Pizza Hut, with his company's individual pan pizza.

Pizza *continued from 146*

Pizza Time Theatre will soon roll out a new, upgraded pizza.

testing an upgraded pizza. The chain, with sales second only to Pizza Hut, is testing a pizza with a buttery brown crust, a chunkie tomato sauce, and much heavier topping. Tests are so successful that Godfather's Murphy predicts the new pizza will soon roll out systemwide.

Lunch pizza

Pizza has traditionally been a dinner item because of preparation time, but several operators have made significant gains in promoting lunch business. When Pizza Hut introduced its individual pizza, lunch sales shot up 65 percent, and for now the chain is concentrating on consolidating those gains.

Another chain with significant lunch-time traffic is Rocky Rococo. A total of 45 percent of the company's sales are generated at lunch, thanks to its pizza-by-the-slice. Pizza-by-the-slice is popular in the mom-and-pop pizzerias of the Northeast, but almost no one has succeeded in popularizing the method elsewhere.

Six varieties of deep-dish pizza slices are sold for $1.25 to $1.49 each, says Mosley. "An operator serving pizza by the slice is taking a significant risk of serving bad food," he says. "It is terribly hard work."

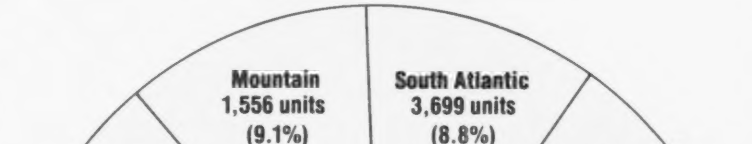
The company will develop 37 Rocky Rococos in the Midwest in the next year, and Mosley attributes the chain's success to the fact that it has always emphasized quality. Spicy tomato sauce is made on-premises, as is whole wheat or regular pizza dough. The chain uses two layers of cheese and an abundance of toppings. Store volumes average $650,000, with 20 percent of sales generated through a drive-through window in stores that have them.

Noble Roman's Pizza increased luncheon sales by introducing three new products. The "Son of a Monster," a scaled-down version of the chain's Monster deep dish pizza, made its debut two years ago. Last year the "Quick Lite Lunch," consisting of a salad bar and breadsticks, was introduced. Breadsticks originally was a way to use leftover pizza dough, but the 94-cent item is so popular that it now accounts for eight percent of sales. The soft breadsticks are served with a ramekin of spicy cheese dip. In June, Noble Roman introduced a "Lite Size" pizza, a 7-inch version of the hand-tossed round pie.

Noble Roman's advertises the "Incredible Waitless Lunch," and

continued on page 154

U.S. Pizza Restaurants



29,264 total U.S. units
(9.9% of total U.S. restaurants)
Source: Restaurant Consulting Group, RE-COUNT, Spring 1983

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For information circle number 88

Pizza *continued from page 151*

both the Son of a Monster and the Lite Size pizza are prepared about 15 minutes in advance, though a special holding oven can keep pizzas up to 45 minutes. Luncheon is strictly self-service, so customers can be in and out in a matter of minutes.

The company's new products increased lunch from about 15 percent of sales to about 30 percent, apparently without cannibalizing dinner sales. Store sales in the Indianapolis metro area now average $600,000, and about $450,000 system-wide.

Pizza Hut also reports that improving luncheon business has not cut into dinner business, but Godfather's Murphy says that Godfather's will not aggressively pursue lunch business because of fear of hurting dinner sales.

Entertainment restaurants

Just two years ago the "entertainment restaurant," featuring video games and animated life-sized, computerized entertainers as well as pizza, were the whiz-kids of Wall Street. But about a year ago customers counts started dropping off and profit margins started shrinking. The two big chains, Pizza Time Theatre and Brock Hotel Corp.'s Showbiz Pizza Place, have had to re-evaluate their formulas. Showbiz' Robert Brock described the segment as experiencing a "shake-out."

Brock adds that sales in his Showbiz units are down 12 to 15 percent, partly because of over-saturation of markets and partly because of a need for changing attractions. He is bullish on the future, however. "We expect a lot of our competitors to go out of business, and we don't see many new entries. The mistake our detractors make is to classify us as restaurants, and we're not. We're in the neighborhood theme park business."

To bolster that image, Showbiz is adding "Showscan" theaters. Brock-Trumbull Enterprises, a joint undertaking between Brock and Douglas Trumbull, a well-known figure in movie special effects, owns exclusive rights to the process, which Brock describes as state-of-the-art. Showscan produces far more realistic pictures than conventional movies by filming at a much faster speed. Theaters are being tested in Dallas; Springfield, Mo.; Huntsville, Ala.; and Fairfax, Va. Brock-Trumbull will produce its own movies, mostly action films of 22 or 48 minutes.

Showbiz is also introducing "Showbiz Afterhours" on Fridays and Saturdays after 9:30 p.m. Only teenagers will be admitted for heavily supervised dancing. Many units are being remodeled.

Pizza Time Theatre, with sales this year of $108 million and 261 units nationwide, continues to define itself as a restaurant with entertainment, and for that reason is concentrating on upgrading its pizza product. A nine-step dough-making process is being eliminated to insure more consistency, and the sauce is spicier. Ingredients are more generous, and the price is slightly lower.

Pizza Time Theatre also is changing its entertainment mix by installing wide-screen televisions and producing its own semi-animated cartoons. An attempt is being made to appeal more to parents, and also to maintain the entertainment's "newness." Founder Nolan Bushnell is again developing video games since a non-competition clause with Warner Communications has run out (Warner purchased Atari from Bushnell, who also founded that company). Now a new Pizza Time Theatre sister company, Sente, is developing "experience simulators" that will combine video games with sensory experiences.

Despite problems in this segment, investors continue to put enormous sums of money into more and more sophisticated concepts. One is the 20,000 square foot Magic Pizza Family Restaurant Center in Manhattan Beach, California. This complex, opened by magician Jerry Hasson, combines video games with live magicians and laser technology.

"Our own research shows that people come to this kind of restaurant as an alternative to another form of entertainment like baseball or a movie," says Showbiz's Brock. "Whoever survives in this business has a tremendous future." ☐

For information circle number 89 →

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Restaurant Business

March 20, 1984

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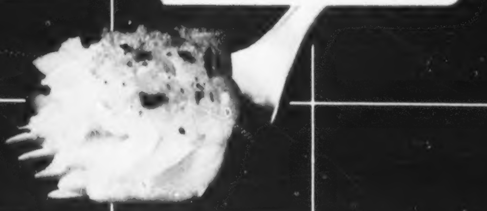


Franchising:

Maturing Menus and Markets

page 133

LATELINE page 255

ITALIAN CHAIN DEBUTS page 96

Soft-Serve page 199

Restaurant Business

March 20, 1984 VOL. 83, NO. 5

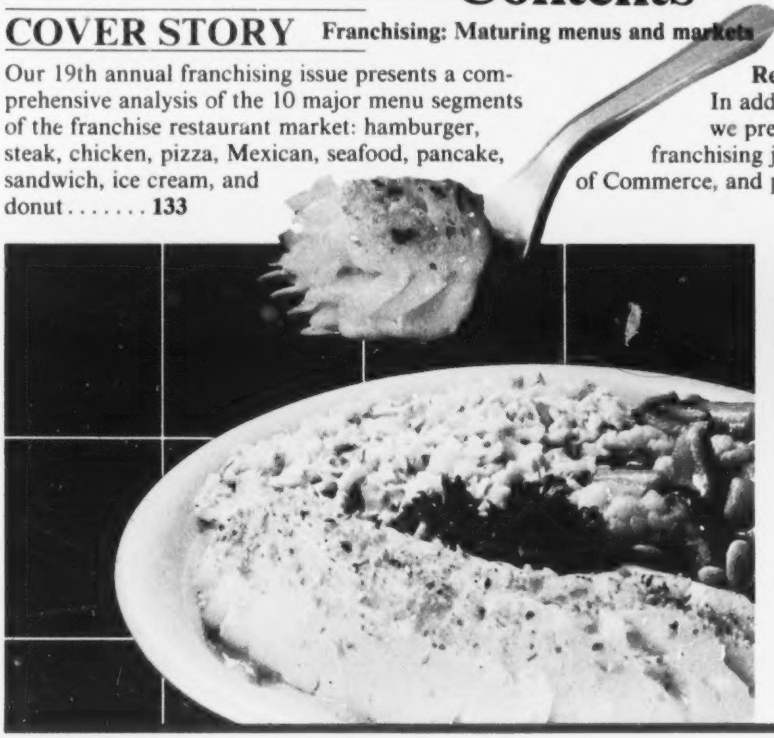
Contents

COVER STORY

Franchising: Maturing menus and markets

Our 19th annual franchising issue presents a comprehensive analysis of the 10 major menu segments of the franchise restaurant market: hamburger, steak, chicken, pizza, Mexican, seafood, pancake, sandwich, ice cream, and donut **133**

Restaurant franchising in the economy
In addition to our market segment reports, we present current sales data on restaurant franchising just released by the U.S. Department of Commerce, and prepared by Andrew Kostecka . . **167**



MENU IDEAS

A swirl of versatility
Soft-serve can be a year-round profit maker, and food editor Kathleen Sanderson shows how you can create and merchandise a variety of specialty drinks and desserts at the flick of a switch . **199**

FEATURES

Ciatti's
Owners of this Italian dinner house concept, which has been described as an "Italian version of Chi Chi's," believe it has the potential to become a national chain **96**

Mor Food 'N Fun
This small Calif.-based restaurant company, founded by Bob Morris and recently acquired by W.R. Grace, operates two high grossing concepts: Gladstone's and RJ's The Rib Joint, and is developing a third one: The Original Jetty **108**

The Restaurant Group
With four restaurants operating in Hartford, Conn.—Pancho McGee's, Brown, Thomas & Co., 36 Lewis Street, and The Brownstone—aggressive expansion is planned that will double the company's volume of $9 million in 1984 . . . . **120**

DEPARTMENTS

Legal Tips 2
Calendar 12
RB Insights
Spotlight: Anaheim, Calif 14
Editorial
A new cuisine in Mexico 24
Up Front 28
Menu Planners Guide 50
Trade Quotes 69
Tax Bite
The financial rewards of 'charity bail-out' 70
Personal Finance
The benefits of flexplans 74
Management Psychology
The organizational chasm 76
Training
Suggestive selling 80
Executive Profile
Harris O. Machus 88
Restaurant Stirrings 117
Drafts, Carafes & Spirits
Diversifying your beer selection 187
Bar Management Guide 190
Wine Seller
How to analyze wine sales 194
Design Marketplace 207
Raising Your Equipment I.Q.
How to handle water 210
Sanitation 216
Buyer's Circle 220
Worth Writing For 244
Classifieds 246
Lateline 255

Cover Design by Joan Dworkin

Food products shown on the cover are: Arby's breakfast croissant, Arby's bacon and cheddar roast beef, Long John Silver's baked fish, Burger King's pita salad sandwich, and Noble Roman's pizza.

← **For information circle number 8**

Restaurant Business Cover Story

Franchising:

Maturing Menus and Markets

The 19th Annual Franchising Issue compiled by the editors of *Restaurant Business* features a comprehensive analysis of the 10 major menu segments of the franchise restaurant market. Seafood, pizza, Mexican, and sandwich continue to be leading growth segments in terms of sales and units. The hamburger segment continues to account for almost half of total market sales. Other segment profiles include steak, chicken, pancake, donut, and ice cream. This special report also includes current data on restaurant franchising just released by the U.S. Department of Commerce and prepared by Andrew Kostecka, plus a listing of the Top 30 franchise systems by sales and units.

Ice Cream

Superpremium ice creams and Italian-style gelato have entered the ice cream market, and older chains are offering new products to complete.

Total sales for the nearly 6,000 franchised ice cream stores have grown about nine percent annually over the last few years to reach nearly $950 million in 1983. Superpremium and gelato are important terms in the market, symbolizing strong new competitive forces. "Superpremium" refers to ice cream made from all natural ingredients, with no air pumped in, and butterfat in excess of 15 percent.

Frusen Glädje began establishing its presence three and a half years ago in supermarkets. In spring 1983, it launched its national franchise effort with the opening of dipping stores in New York City, Baltimore, and Dallas. Over 50 units are now open.

Häagen-Dazs has developed since 1970 from a similar supermarket base, growing in popularity by word of mouth. The first dipping store opened in Brooklyn in 1970, and enthusiastic response led to the growth of a 300-plus franchise system.

Pillsbury Corp. acquired Häagen-Dazs in mid-1983, and the acquisition is expected to produce more rapid expansion.

Häagen-Dazs had broadened its customer appeal with two types of operations: dipping stores, and larger dessert shop operations. Both offer a variety of dessert and pastry items, cappuccino and espresso.

Bressler's 33 Flavors hopes to role out its own superpremium offering, now under test by early 1985.

Swensen's Ice Cream Company, of Phoenix, is also testing a superpremium line, according to vice president of marketing and public relations Howard Englehardt.

Baskin-Robbins is one of the few established ice cream franchises not exploring superpremiums. Instead, it is seeking acceptance of a special diet line on a state-by-state basis. The company's Marilyn Novak believes the low–fat, low–calorie frozen dessert product will be aided in marketing by the new research reports on the health problems associated with cholesterol.

All of the chains are reporting steady growth in number of units and sales volumes.

Bressler's has been relocating older units to newer, more profitable locations over the last few years, and taking out unprofitable units.

Swensen's anticipates adding another 50 units in 1984, to the 340 now operating in 34 states and seven other countries.

Baskin-Robbins reported retail sales of $455 million in 1983, up from $423 million in the previous year. It plans to open 137 new stores in 1984, and another 200 in 1985.

Farrell's Ice Cream Parlour Restaurants, Inc., headquartered in San Francisco, is also seeing a need to attract a more adult audience. As a first step, it is testing a new design in two outlets in Sacramento, Cal., using an Americana theme to replace its "gay nineties" motif.

Gelato, or Italian-style, ice cream, is the new kid on the block this year. It differs from ice cream in that it has a much lower butterfat content—eight percent—compared with 15 to 18 percent for superpremium ice creams.

Gelato Classico is one of the first franchises to enter the market. Operating in San Francisco since 1976, it now has 15 locations in Michigan, Arizona, and Southern California.

Gelaré, Inc., of Encinitas, California, has seven units open and seven more under construction. It is in its third year of franchising, and president James Swift sees excellent growth potential. Like Häagen-Dazs, Gelaré units offer pastry items including six "European quality" tarts and cakes.

A similar phenomenon seems to have occurred to yogurt franchisors, one of the first competitors to the traditional ice cream market.

As Sam Holt, founder of Zack's Famous Frozen Yogurt, Inc., describes it, regional yogurt chains have a good chance of survival by producing a product which combines the taste of a premium soft-serve ice cream with the health benefits of yogurt.

Originally, he explains, yogurt franchisors tried a traditional tart-tasting product which had only limited appeal to health food faddists. Since making the taste change in its product line, Zack's, founded in 1977, has grown to a 35-unit chain, branching out from its Metairie/New Orleans, Louisiana base.

I Can't Believe It's Yogurt (ICBIY) is expanding around a Dallas base with a similar philosophy. Its "Softie" product tastes like soft-serve ice cream, with half the calories, four-fifths less fat, and one-third more protein. The product comes in 17 flavors, with 19 toppings ranging from fresh fruit to nuts and candy-coated chocolates.

—**Carol Lynn Tiegs**

ICE CREAM STORES *(31 franchisors)*

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1982	856,466	51,713	804,753	5,547	163	5,384
1983*	917,326	52,491	864,835	5,847	161	5,686
1984*	998,714	57,999	940,715	6,193	172	6,021

**Estimated by respondents.*

Donut

Growth is strong in the donut segment, where an array of new products and stable retail prices fend off increasing breakfast competition.

Reports are positive from the donut segment of fast food franchising. The number of units is up over 2,300, and sales seem to be increasing at a steady rate of nine percent per year.

The market segment is dominated by Dunkin' Donuts, with 1,250 units in the U.S., and six foreign countries; and Mister Donut of America, a division of International Multifoods, with 578 franchised outlets, not including the franchise rights to 413 Mister Donuts sold in December 1983 to its Japanese franchise operator, Duskin Co., Ltd.

At the same time, however, there appears to be plenty of room for strong, expanding regional chains such as Krispy Kreme in the Southeast, or Donutland expanding from a base in Iowa.

"This has been our best year of expansion ever," reports Fred Huggins, vice president, Mister Donut. "We will open 70 new shops in 1984, and expect to continue at this level into the foreseeable future."

Reasons for strong expansion include the stabilization of interest rates at an agreeable level, and a corporate reorganization and planning process which has resulted in over half of new expansion being undertaken by existing franchisees.

Huggins indicates that Mister Donut average unit sales have been rising continually, partly as a result of stronger local marketing efforts. This includes spending more of the marketing dollar at the individual unit level, and organizing franchisees into ADI marketing regions to take the fullest advantage of group advertising purchasing power.

The chain will be making some modest decor changes, and adding drive-thru windows to units in an effort to keep sales climbing.

Expansion for the Minneapolis-based franchisor will occur mostly from Denver east, with major emphasis on the Mid-Atlantic and Southeast regions.

While year-end figures have not been released, Dunkin' Donuts national franchise sales manager Michael Kalleres says 1983 was an "outstanding year" and the company expects better in 1984. It remains on schedule with expansion plans calling for the addition of 100 new units per year over the next five years, 90 percent of which will be franchised.

In addition to the aggressive development of new shops, Dunkin' Donuts' growth plan for the 80s calls for increased advertising, with $100 million budgeted for that purpose over a five-year period. Continued new product introduction is also planned. A new line of cookies tested "very successfully," according to Kalleres and is being rolled out nationally.

With 33 years in the business, Dunkin' Donuts is also paying attention to remodeling existing shops to make them more productive and appealing.

With 10 company, and 32 franchised stores, Donutland, Inc., continues to expand around its Iowa base into Illinois, Wisconsin, and the Dakotas. Franchise inquiries are up, and 20 new sites are proposed for 1984. Older shops offer only donuts and coffee, but newer locations serve muffins, cookies, cakes and croissants, a trend it expects to continue.

Spudnuts, Inc., one of the oldest in the business (founded in 1939 in Salt Lake City) and billing itself as "The Upper Crust of the Donut World," has been working over the last several years to enhance its franchise offering.

Upgrades have included the addition to the menu of soup, spuffins (a muffin-type product), and ice cream, which has accounted for 10 percent of sales in test units without any advertising effort. The addition of drive-thru windows has also been effective in increasing unit volumes.

Spudnuts has developed a free standing prototype building, with average annual sales of around $240,000, and a second design for strip centers, with average annual sales volumes ranging between $180,000 and $200,000. Now with 40 franchised and three company-owned units, Spudnuts is reported to be seeking outside capital, possibly through acquisition, to fund franchise expansion.

Krispy Kreme Doughnut Co., based in North Carolina, is one of the few franchises sticking to its original menu concept. It tried adding baked goods and then rejected the idea. Many of the units also do business supplying area grocery stores, however, selling fried pies, dunkin' sticks, and a mini-donut product as well as yeast-raised and cake-type donuts.

Formerly owned by Beatrice Foods, Krispy Kreme was purchased two years ago by a group of its franchisees, headed by now-president Joseph McAleer. The new owners have put franchise expansion on hold, preferring to concentrate on market development in an established southeastern market area.

—Carol Lynn Tiegs

DONUT SHOPS *(20 franchisors)*

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1982	679,837	88,687	591,150	2,221	226	1,995
1983*	741,135	92,902	648,233	2,296	224	2,072
1984*	826,094	97,682	728,412	2,497	224	2,273

*Estimated by respondents.

Restaurant franchising in the economy

"Franchising in the Economy, 1982-84," is a comprehensive study that presents sales and statistical data about franchising in the U.S. It is issued annually by the U.S. Department of Commerce, and prepared by Andrew Kostecka.

Franchising is continuing to make a significant contribution to the American economy, not only because it enables rapid growth of the franchisor, but also because it vastly increases the likelihood of success on the part of the small businessperson, namely the franchisee. It offers both a degree of flexibility and security not possible under other marketing systems.

Franchising is perhaps the only form of business organization which, by its very nature, tends to create new business units. It helps small businesses to compete with the giants, since franchisees have a good chance to survive using the franchisor's know-how and trademark or servicemark; it also offers a unique opportunity to people with limited capital experience.

Franchise sales of goods and services by all franchising companies are expected to reach $457 billion in 1984, an increase of nine percent over the estimated sales reported for 1983, while the number of establishments will reach 462,000 in 1984, up from 445,000 in 1983. Employment in franchising, including part-time workers and working proprietors, was 4.9 million in 1982, and will probably reach more than 5.3 million by the end of 1984.

Product and tradename

Product and tradename franchising began in the United States as an independent sales relationship between supplier and dealer in which the dealer acquired some of the identity of the supplier. The franchised dealer concentrates on one company's product line and to some extent identifies his business with that company. Typical of this segment are automobile and truck dealers, gasoline service stations, and soft drink bottlers. Together they dominate the franchise field, accounting for an estimated 73 percent of all franchise sales for 1984.

Total sales by product and tradename franchisors are expected to reach an estimated $332 billion in 1984 compared with $308 billion in 1983 and $277 billion in 1982. As in the past 10 years, the number of establishments of product and tradename franchisors continue to decline. The attrition rate of automobile and truck dealers and that of soft drink bottlers has slowed but the rate of closings for gasoline service stations remains high. The number of these establishments is expected to decline in 1984 to 156,000 from 163,000 in 1983 and 171,000 in 1982.

Business format franchising

Business format franchising is characterized by an ongoing business relationship between franchisor and franchisee that includes not only the product, service, and trademark, but the entire business format itself: a marketing strategy and plan, operating manuals and standards, quality control, and continuing two-way communications.

Restaurants, non-food retailing, personal and business services, rental services, real estate services, and a long list of other service businesses fall into the category of business format franchising.

Business format franchising has been responsible for much of the growth of franchising in the United States since 1950.

continued on page 168

The volume of sales and the number of units owned or franchised by business format franchisors have been steadily on the rise for the past 12 years. Sales of business format franchisors are expected to be almost $125 billion in 1984, compared with $110 billion in 1983 and $99 in 1982. In contrast to product and trade-name franchises, the number of establishments of business format franchisors is expected to increase to over 306,000 in 1984, compared to 283,000 in 1983 and 268,000 in 1982.

Large franchisors—those with 1,000 or more units each—continue to dominate business format franchising, with 57 companies accounting for 49 percent of all sales and for 53 percent of all establishments in 1982. The total number of outlets reported by these large franchisors stood at 142,163, with sales of $49 billion. Fourteen of these large franchisors were engaged in restaurants and 12 were in automotive products and services.

Sales of products and services by business format franchisors to their franchisees totaled $6.3 billion in 1982 and might rise to about $8 billion by 1984. Franchisor sales of merchandise for resale were largest in the non-food retailing category—$2.3 billion in 1982—followed by automotive products and services at $1.9 billion. Franchising sales of food ingredients amounted to $1.4

RESTAURANT FRANCHISING, 1982-1984
Sales

Major Activity	Firms	1982		
		Total	Company-Owned	Franchisee-Owned
Chicken	32	$ 2,947,512	$ 1,109,122	$ 1,838,390
Hamburgers, Franks Roast Beef	102	16,862,890	4,482,780	12,380,110
Pizza	106	3,740,072	1,419,723	2,320,349
Mexican	33	1,258,054	645,034	613,020
Seafood	14	1,372,485	755,800	616,685
Pancakes, Waffles	15	893,625	277,994	615,631
Steak, Full Menu	110	6,708,742	3,229,808	3,478,844
Sandwich and Other	46	375,138	64,717	310,421
Total	458	34,158,518	11,985,068	22,173,450

Data estimated by respondents for 1983 and 1984

RESTAURANT FRANCHISING, 1982-1984
Number of Units

Major Activity	Firms	1982		
		Total	Company-Owned	Franchisee-Owned
Chicken	32	7,773	2,591	5,182
Hamburgers, Franks Roast Beef	102	27,285	6,100	21,185
Pizza	106	10,629	3,700	6,929
Mexican	33	3,059	1,399	1,660
Seafood	14	2,840	1,312	1,528
Pancakes, Waffles	15	1,645	516	1,129
Steak, Full Menu	110	9,135	4,020	5,115
Sandwich and Other	46	1,810	379	1,431
Total	458	64,176	20,017	44,150

Data estimated by respondents for 1983 and 1984

U.S. FRANCHISED RESTAURANTS, 1982-1984 SUMMARY

Item	1982	1983	1984	Percent Change	
				1982-83	1983-84
Company-owned	20,017	21,351	23,087	6.7	8.1
Franchisee-owned	44,159	47,372	51,755	7.3	9.3
Total number of establishments:	64,176	68,723	74,842	7.1	8.9
Company-owned	11,985,068	13,536,111	15,360,844	12.9	13.5
Franchisee-owned	22,173,450	25,128,106	28,786,765	13.3	14.6
Total sales of products and services: ($000)	34,158,518	38,664,217	44,147,609	13.2	14.2
Merchandise (non-food) for resale	60,356	65,852	71,956	9.1	9.3
Supplies (such as paper goods, etc.)	197,305	213,031	234,282	8.0	10.0
Food ingredients	701,442	777,326	863,314	10.8	11.1
Other	29,547	32,466	36,318	9.9	11.9
Total sales of products and services by franchisors to franchisees: ($000)	988,650	1,088,675	1,205,870	10.1	10.8

Data estimated by respondents for 1983 and 1984

1983			1984		
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
$ 3,569,907	$ 1,347,231	$ 2,222,676	$ 4,410,227	$ 1,652,585	$ 2,757,642
18,961,299	4,991,981	13,969,318	21,315,390	5,634,977	15,680,413
4,412,068	1,705,236	2,706,832	5,165,281	1,916,772	3,248,509
1,500,828	781,052	719,776	1,734,457	906,448	828,009
1,638,150	903,550	734,600	1,964,300	1,097,975	866,325
873,233	276,422	596,811	929,281	294,166	635,115
7,265,923	3,454,247	3,811,676	8,073,079	3,761,838	4,311,241
442,809	76,392	366,417	555,594	96,083	459,511
38,664,217	13,536,111	25,128,106	44,147,609	15,360,844	28,786,765

1983			1984		
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
8,528	2,856	5,672	9,489	3,197	6,292
28,563	6,430	22,133	30,658	6,952	23,706
12,042	4,099	7,943	13,497	4,464	9,033
3,374	1,505	1,869	3,683	1,611	2,072
3,060	1,447	1,613	3,366	1,602	1,764
1,640	514	1,126	1,698	508	1,190
9,429	4,101	5,328	9,927	4,294	5,633
2,087	399	1,688	2,524	459	2,065
68,723	21,351	47,372	74,842	23,087	51,755

billion in 1982 of which $701 million went to restaurants and $588 million to food retailers other than convenience stores.

Trends

Conversion franchising, a challenge to rising costs and increased competition, will show considerable strength in the 1980s. Conversion franchising refers to the conversion of an independent business to a franchise. The idea is not new, and in the past has been used extensively in real estate franchising. Movement to conversion franchising will be evident in many areas, especially in construction, home repair and remodeling services, all types of business services, non-food retailing, and restaurants.

Over the next few years we should see a stepped-up effort to bridge the "partnership" relationship between franchisor and franchisee. Franchisees are the most important part of the entire franchising system, and they are a franchising company's most valuable asset.

The relationship between franchisors and franchisees is the key element to the present and future success of a company, because their performances, both as individual businesspersons and as part of a coordinated organization, determines whether a franchising company will compete, grow, and be profitable.

A franchisor can develop superior procedures and programs, but they are meaningless unless franchisees put them into operation in the marketplace.

Another emerging trend evident in franchising is the entry of women into franchising, in numbers larger than ever before, both as franchisors and franchisees.

Franchising offers new opportunities for women, who are entering the professional and management ranks and want to be a part of the business world or invest in a business career. Starting their own businesses through franchising lessens the risk factors of women with little or no business experience.

Furthermore, women often excel in businesses that cater specifically to the needs or interests of other women.

The changing American household and the new status of working women in society will influence the growth of franchises particularly in the non-food retail stores that provide a variety of services for the home.

From 1984 to 1987, personal consumption expenditures are expected to grow at a 2.9 percent annual rate, durables purchases at 4.9 percent, and nondurables at 2.3 percent, setting the stage for increased retail spending.

Accelerated growth should be seen in franchised stores providing home furnishings, decorating, picture framing, and other types of accessories for the home. Growth will also take place in all types of general merchandise, video, and electronic stores.

In the past, new technologies had the greatest impact on the assembly line. Today, the new computer technology is rapidly spreading to the service sector, and especially to franchising. The computer industry is establishing new businesses in the form of franchised retail stores and this trend will continue.

Although competition will intensify and other distribution channels emerge, franchisors of computer stores will focus on two separate markets. One is the computer store specializing in home computers, video games, software, and hardware, and the other is the store providing for the needs of business with support services and systems.

continued on page 170

TOP 30 FRANCHISE RESTAURANT SYSTEMS

1982-83 systemwide sales by company and franchise (sales in millions of dollars)

Franchise system	1982		1983		'82-'83 % Change
McDonald's	$7,809.	(2,095c/5,714f)	$8,600.	(2,170c/6,430f)**	10
Burger King*	$2,360.	(354c/2,006f)	$2,810.	(422c/2,388f)	19
Kentucky Fried Chicken	$2,382.	(660c/1,722f)**	$2,623	(778c/1,845f)**	10
Hardee's*	$1,115.	(526c/589f)**	$1,718***	(807c/911f)**	54
Wendy's	$1,630.	(550c/1,080f)	$1,800	(617c/1,183f)**	10
Pizza Hut	$1,407.**	(695c/712f)	$1,671**	(797c/874f)	19
Dairy Queen*	$1,198.	(2c/1,196f)	$1,288.	(3c/1,285f)	8
Big Boy	$940.	(195c/745f)	$1,000.	(178.5c/821.5f)	6
Taco Bell	$577.2**	(324.8c/252.4f)	$693**	(365.2c/327.8f)	20
Arby's	$577.8	(72.1c/505.7f)	$650.	(72.8c/577.2f)	12
Western Sizzlin'*	$452.8**	(3.1c/449.7f)	$473.8**	(4.1c/469.7f)	5
Church's*	$504.3	(423.8c/80.5f)	$613.9**	(522.2c/91.7f)	22
Long John Silver's*	$516.	(314.9c/201.1f)	$554.5	(337.4c/217.1f)	7
Ponderosa*	$516.6	(360.5c/156.1f)	$554.	(384.7c/169.3f)	7
Jack In The Box*	$485.**	(478c/7f)	$546.7	(22.4c/524.3f)	13
Dunkin' Donuts*	$434.7	(26.7c/408f)	$475.8	(27.2c/448.6f)	9
Baskin Robbins*	$423.	(29c/394ff)**	$455.	(70c/385f)**	8
Howard Johnson's	$452.**	(327c/125f)	$435.1**	(313.6c/121.5f)	(4)
Godfather's Pizza	$313.	(75c/238f)	$400.	(92c/308f)**	28
Captain D's*	$195.4	(103.3c/92.1f)	$215.7	(116.5c/99.2f)	10
Bonanza*	$366.	(0c/366f)	$389.	(2.7c/386.3)**	6
Domino's Pizza	$232.1	(71.9c/160.2f)	$365.7	(106c/259.7f)	58
Sizzler*	$323.9	(104.7c/219.2f)	$353.7	(118.7c/235f)	9
Roy Rogers	$256.**	(189.4c/66.6f)	$341.7**	(256.3c/85.4)	33
Perkins' Cake & Steak	$270.8	(92.6c/178.2f)	$287.9	(103.4c/184.5f)	6
Sonic Drive Ins*	$274.7	(24.7c/250f)	$262.6	(21.8c/240.8f)	4
Popeyes Famous Fried Chicken*	$173.	(48c/125f)	$240.	(55c.185f)	39
Pizza Inn*	$228.9	(102.3c/126.6f)	$236.6	(105.9c/130.7f)	3
International House of Pancakes	$224.1	(63.1c/161f)**	$226.	(58.2c/167.8f)**	.8
Chi-Chi's*	$115.5**	(48.3c/67.2f)	$198.5**	(90.5c/108f)	72

1982-83 systemwide units by company and franchise

Franchise system	1982		1983		'82-'83 % Change
McDonald's	7,259	(1,846c/5,413f)	7,778	(1,949c/5,829f)**	7
Burger King*	3,255	(488c/2,767f)	3,502	(525c/2,977f)	8
Kentucky Fried Chicken	6,584	(1,291c/5,293f)	6,609	(1,524c/5,085f)	.4
Hardee's*	1,465	(555c/910f)	2,154***	(840c/1,314f)	47
Wendy's	2,430	(827c/1,603f)	2,671	(921c/1,750f)	10
Pizza Hut	4,101	(1,957c/2,144f)	4,253	(2,029c/2,224f)	4
Dairy Queen*	4,754	(6c/4,748f)	4,751	(6c/4,745f)	(.06)
Big Boy	1,180	(211c/969f)	1,230	(219c/1,011f)	4
Taco Bell	1,489	(814c/675f)	1,663	(849c/814f)	12
Arby's	1,217	(150c/1,067f)	1,270	(163c/1,107f)	4
Western Sizzlin'*	575	(4c/571f)	575**	(5c/570f)	0
Church's*	1,379	(1,137c/242f)	1,446	(1,191c/255f)	5
Long John Silver's*	1,247	(738c/509f)	1,313	(782c/531f)	5
Ponderosa*	691	(459c/232f)	682	(447c/235f)	(1)
Jack In The Box*	784	(764c/20f)	778	(734c/44f)	(.8)
Dunkin' Donuts*	1,073	(66c/1,007f)	1,250	(65c/1,185f)	16
Baskin Robbins*	2,770	(370c/2,400f)	2,907	(507c/2,400f)	5
Howard Johnson's	805	(587c/218f)	749	(533c/216f)	(7)
Godfather's Pizza	776	(184c/592f)	850	(190c/660f)	10
Captain D's*	405	(211c/194f)	426	(229c/197f)	5
Bonanza*	579	(0c/579f)	576	(8c/568f)	(.5)
Domino's Pizza	834	(281c/553f)	1,188	(363c/825f)	42
Sizzler*	448	(133c/315f)	439	(137c/302f)	(2)
Roy Rogers	438	(326c/112f)	497	(375c/122f)	13
Perkins' Cake & Steak	311	(94c/217f	311	(94c/217f)	0
Sonic Drive Ins*	1,000	(114c/886f)	975	(96c/879f)	(2.5)
Popeyes Famous Fried Chicken*	309	(65c/244f)	400	(70c/330f)	29
Pizza Inn*	714	(275c/439f)	714	(291c/423f)	0
International House of Pancakes	466	(132c/334f)	466	(107c/359f)**	0
Chi-Chi's*	55	(23c/32f)	92	(44c/48f)	67

**Fiscal year-end results (remainder are calendar year-end results)*
***Estimated by* Restaurant Business
****includes Burger Chef*

Source: *Restaurant Business*

For information circle number 81 →

continued on page 172

Dental health care has become an integral part of franchising as franchised dental centers spread to all regions of the United States. This trend should continue to develop rapidly.

Franchised restaurants of all types, as in the past, will continue to be the most popular sector of franchising. Stepped-up activity will be seen in the upscaling of franchised restaurants in exterior and interior decor, service, and upscaling in quality and variety of food items served.

Conversion franchising will show considerable strength for the rest of the decade.

Franchisors of restaurants, especially those whose major activity is pizza, were the fastest growing outlets, jumping from 66 franchisors in 1978 to 106 at the end of 1982. This trend is expected to continue for the next few years.

Franchises that specialize in automotive repairs will grow in many areas of the huge automotive aftermarket. This trend will continue to expand through the next decade.

continued on page 174

RESTAURANT FRANCHISING
GROWTH IN SALES, 1978-1983
(SALES:$000)

Major Activity	Total Sales			Company-owned			Franchisee-owned		
	$ 1978	$ 1983	% Change	$ 1978	$ 1983	% Change	$ 1978	$ 1983	% Change
Chicken	2,034,012	3,569,907	76	653,977	1,347,231	106	1,380,035	2,222,676	61
Hamburgers, Franks, Roast Beef	10,862,837	18,961,299	75	2,589,465	4,991,981	93	8,273,372	13,969,318	69
Pizza	1,735,279	4,412,068	154	696,364	1,705,236	145	1,038,915	2,706,832	160
Mexican	602,376	1,500,828	149	304,697	781,052	156	297,679	719,776	142
Seafood	563,827	1,638,150	190	216,486	903,550	317	347,341	734,600	111
Pancakes, Waffles	601,029	873,233	45	139,899	276,422	98	461,130	596,811	29
Steak, Full Menu	4,531,709	7,265,923	60	2,104,623	3,454,247	64	2,427,086	3,811,676	57
Sandwich and Other	169,719	442,809	161	28,034	76,392	172	141,685	366,417	159
Total	21,100,788	38,664,217	83	6,733,545	13,536,111	101	14,367,243	25,128,106	75

Estimated by survey respondents for 1983 *Source: U.S. Dept. of Commerce, Restaurant Business*

RESTAURANT FRANCHISING
GROWTH IN UNITS, 1978-1983

Major Activity	Total Units			Company-owned			Franchisee-owned		
	1978	1983	% Change	1978	1983	% Change	1978	1983	% Change
Chicken	6,708	8,528	27	1,870	2,856	53	4,838	5,672	17
Hamburgers, Franks, Roast Beef	26,038	28,563	10	4,648	6,430	38	21,390	22,133	3
Pizza	7,542	12,042	60	3,042	4,099	35	4,500	7,943	76
Mexican	2,329	3,374	45	993	1,505	52	1,336	1,869	40
Seafood	2,297	3,060	33	899	1,447	61	1,398	1,613	15
Pancakes, Waffles	1,441	1,640	14	363	514	42	1,078	1,126	4
Steak, Full Menu	7,924	9,429	19	3,479	4,101	18	4,445	5,328	20
Sandwich and Other	1,033	2,087	102	216	399	85	817	1,688	107
Total	55,312	68,723	24	15,510	21,351	38	39,802	47,372	19

Estimated by survey respondents for 1983 *Source: U.S. Dept. of Commerce, Restaurant Business*

Traditional sources of automotive repair are disappearing with the continuing decline of new car dealerships and gasoline service stations.

Other areas in franchising that bear watching over the next few years are retail telephone centers, automobile leasing, packaging and rapid delivery of parcels, home building, medical centers and health services, temporary help services, and business brokers. More franchising is also expected in printing and copying services, weight control centers, and hair salons for both men and women.

Several studies are being conducted analyzing the cost and relative benefits of existing franchise laws and regulations.

For instance, the Federal Trade Commission and state legislators across the country are reviewing franchise laws over which they have jurisdiction. The National Conference of Commissioners on Uniform State Laws will shortly begin drafting a proposed uniform franchise law.

Also, the North American Securities Administrators Association will draft a model Business Opportunities Sales Act which would encompass franchising. All these efforts are very likely to result in substantial changes in the country's franchising laws in the years ahead.

International markets

International franchising is a unique system mutually beneficial to importing and exporting countries alike. Penetration into foreign markets by U.S. franchisors continues to grow, thus enabling them to expand their business and gain international recognition of their services, tradenames, trademarks, and products.

American-style franchising has never been more competitive, and importing countries gain in several ways: new local entrepreneurs are created providing local employment; income is generated for local businesses that supply goods and services for operation of the local franchise; and innovative services and ideas are provided by U.S. franchisors while new methods of business management are introduced to franchisees.

> Franchising offers new opportunities for women who want to invest in a business. Starting their own businesses through franchising lessens the risk factors of women with little experience.

The Department of Commerce survey reveals that 295 U.S. franchising companies operated 23,524 outlets in foreign countries in 1982; this compares with 288 franchisors with 21,416 outlets in 1981.

Furthermore, an additional 117 companies have indicated that they are considering extending their U.S. operations to foreign countries by the end of 1985. This interest has been expressed mostly by small- and medium-sized franchisors, marketing a variety of services and products.

Of the companies seeking foreign markets, 30 are franchisors of business aids and services and 24 are restaurant franchisors.

The form of entry into foreign markets varies considerably, with many firms using more than one method in conducting foreign operations.

Of the 295 franchisors doing business in foreign countries in 1982, 287 sold their outlets to franchisees—either directly or through a master licensee who received the right to develop the franchisor's system in a specific country or region—26 operated joint ventures, and 26 had some company operated units.

Twenty-four of these companies derived 10 percent or more of their income from foreign operations, 21 firms received between 5 and 9 percent, 88 between 1 and 4 percent, and 162 received less than 1 percent.

Canada continues to be the dominant market for U.S. franchisors despite its declining share of U.S. foreign outlets. In 1982, 31 percent of all U.S. foreign franchised outlets were located in Canada, down from a high of 46 percent in 1971. A total of 213 U.S. franchising firms with 7,278 units operated in Canada in 1982, predominately in non-food retailing (1,249), restaurants of all types (1,056), and automotive products and services (854).

Japan continues to be the second-largest market for U.S. franchisors with a total of 4,990 units, of which 70 percent represent various food categories such as restaurants, donut shops, ice cream stores, and convenience food stores.

The United Kingdom ranks third with 2,083 outlets, while 3,649 outlets are located in all of Continental Europe.

Changes in ownership

Changes in ownership in 1982 involved 9,722 units belonging to 798 franchisors. These changes included conversions to franchisee-owned or to company-owned operations, and discontinuation of either company-owned or franchisee-owned outlets.

Specifically, 707 outlets were repurchased for company-ownership, while 1,057 were converted to franchisee-ownership; as in previous years, the largest portion of these changes occurred in the restaurant sector of franchising. The number of establishments discontinued in 1982 stood at 7,958, of which 1,106 were company-owned and 6,852 franchisee-owned.

Since 1975, the trend in franchising has reflected an increase in conversions of company-owned units to franchisee-ownership, and as in previous years the survey shows that most units repurchased for company-ownership were temporary buybacks for a multitude of reasons, the least of which was the company's desire to withdraw from the franchise system or to operate these units permanently itself.

Failures and departures

A total of 57 franchisors operating 1,597 outlets failed during 1983, according to the U.S. Department of

continued on page 178

Commerce survey. The volume of 1982 sales represented by the failed firms amounted to $428 million, of which the franchisee-owned portion was $385 million. Compared to total business format franchising sales of $99 billion in 1982, the lost volume (0.4 percent) should be regarded as insignificant.

In addition, 84 companies decided in 1983 to discontinue franchising as a method of doing business; these companies operated 4,551 units in 1982 with $943 million in sales, of which 2,734 outlets with $233 million in sales were franchisee-owned.

Renewals and terminations

In 1982, 11,415 franchise arrangements came up for renewal, of which 10,061, or 88 percent, were renewed and 1,354 were not. Of the latter, 513 were not renewed because of objections by the franchisor, 404 because the franchisee did not wish to renew, and 437 upon mutual agreement.

There were 6,180 terminations of franchise agreements in 1982, of which 2,473 were terminated by franchisors: 1,358 for nonpayment of royalties or other financial obligations, 166 for the franchisee's failure to comply with quality control standards, and 949 for other reasons not identified.

> Penetration into foreign markets by U.S. franchisors continues to grow, enabling them to gain international recognition for their products and services.

Franchisees were responsible for terminating 3,097 franchise agreements, while an additional 610 were terminated by mutual consent.

A total of 3,082 franchisees in 1982 asked permission from their franchisors to sell their franchises to other businesspersons; all but 42 transfers were approved.

Retail franchising

Consumer spending was strong in 1983, with purchases of durable consumer goods rising dramatically. Consumer confidence increased rapidly as consumer installment credit outstanding relative to personal income rebounded from the low levels of 1982.

Retail sales of all firms associated with franchising reached an estimated $368 billion in 1983, or 32 percent of all U.S. retail sales, estimated at $1.2 trillion. Retail franchising accounts for 88 percent of all U.S. franchising receipts.

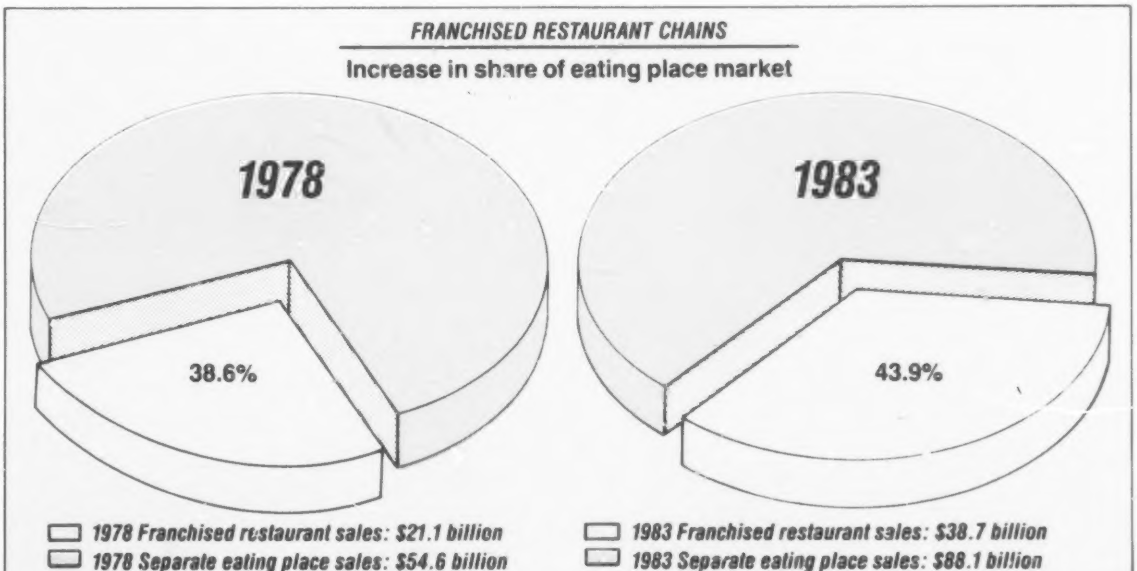
Retail sales of franchisors are expected to remain strong in 1984 as the economy enters the second year of recovery. Disposable income generated in part as a result of the Economic Recovery Tax Act of 1981, coupled with a manageable level of consumer debt outstanding, could provide the background for continued franchise retail sales gains.

As unemployment declines and confidence improves, liquid assets available to the consumer should stimulate the sale of big ticket items. Consequently, franchised retail sales should increase by nine percent to $401 billion in 1984, and account for 32 percent of total U.S. retail sales which are expected to reach $1.3 trillion.

Restaurants

After 1980, the franchised restaurant sector experienced marked structural changes as high interest rates and high construction costs prompted franchisors to scale down their plans and build smaller sized units. This decision also resulted in the construction of restaurants at a lower cost and in a shorter period of time. Conversion of independent

continued on page 180



FRANCHISED RESTAURANT CHAINS

Increase in share of eating place market

Franchised restaurants of all types will continue to be the most popular sector of franchising, as upscaling of restaurants and menu items is stepped up.

units to franchising has also picked up, including restaurant sites within other retail chains or locations.

Sales of franchised restaurants of all types reached almost $39 billion in 1983, up 13 percent over a year earlier; they are expected to jump about 14 percent, to $44 billion in 1984.

Franchised restaurants numbered 64,176 in 1982, increased to 68,723 in 1983, and are expected to rise to almost 75,000 units in 1984. The highest concentrations of franchised restaurants continue to be in California, Texas, Ohio, and Florida.

Employment in the franchised restaurant sector was 1,815,086 in 1982, up from 1,664,170 a year earlier, a rise of nine percent. Employment in the franchised restaurant industry accounts for 37 percent of employment in the franchise system as a whole and should continue to rise in the next few years. Furthermore, franchised restaurant employees accounted for an estimated 38 percent of all persons employed in eating places in the United States.

Entry into the restaurant franchising system, mostly by small companies, continued in 1982 with a net gain of 18 franchisors, bringing the total to 458. During 1983, 11 franchisors with a total of 143 restaurants (106 franchisee-owned) went out of business, while 21 franchisors with a total of 262 restaurants (69 franchisee-owned), decided to abandon franchising as a method of marketing.

There were 14 big franchisors with over 1,000 units each in 1982, one more than the previous year. Combined, they represented 53 percent of all restaurants in the franchise system, or, 33,970 restaurants, of which 24,254 were franchisee-owned and 9,716 were company-owned. They also represented 59 percent of total franchised restaurant sales: $20 billion of which $14.2 billion were by franchisee-owned units.

As many foreign countries improve their standard of living and evolve into more service-oriented economies, receptiveness to American-style franchising will continue to create export opportunities for U.S. franchisors despite increased competition from local firms and other international firms.

In 1982, 57 restaurant franchisors operated 4,675 units in foreign coun-

continued on page 182

U.S. FRANCHISED RESTUARANTS*
Number of Establishments by State: 1982

State	Total	Company-Owned	Franchisee-Owned	State	Total	Company-Owned	Franchisee-Owned
Alabama	1,266	431	835	Nebraska	541	160	381
Alaska	86	1	85	Nevada	251	102	149
Arizona	895	283	612	New Hampshire	129	27	102
Arkansas	638	109	529	New Jersey	1,035	221	814
California	6,068	1,719	4,349	New Mexico	442	108	334
Colorado	1,098	342	756	New York	2,198	577	1,621
Connecticut	515	166	349	North Carolina	1,366	387	979
Delaware	115	41	74	North Dakota	152	9	143
District of Columbia	116	54	62	Ohio	3,360	1,240	2,120
Florida	3,052	1,088	1,964	Oklahoma	1,654	498	1,156
Georgia	1,923	823	1,100	Oregon	763	176	587
Hawaii	186	69	117	Pennsylvania	2,062	759	1,303
Idaho	226	21	205	Rhode Island	104	33	71
Illinois	2,870	958	1,912	South Carolina	905	308	597
Indiana	2,037	591	1,446	South Dakota	198	25	173
Iowa	929	193	736	Tennessee	1,512	527	985
Kansas	888	279	609	Texas	5,508	2,062	3,446
Kentucky	1,239	351	888	Utah	345	87	258
Louisiana	1,006	325	681	Vermont	52	3	49
Maine	151	37	114	Virginia	1,339	419	920
Maryland	754	307	447	Washington	975	308	667
Massachusetts	705	249	456	West Virginia	475	164	311
Michigan	2,498	779	1,719	Wisconsin	1,259	314	945
Minnesota	1,245	355	890	Wyoming	160	20	140
Mississippi	658	112	546				
Missouri	1,490	514	976				
Montana	220	9	211	TOTAL	59,659	18,740	40,919

Represents 92 percent of total establishments.
The remaining eight percent were unable to provide a geographic breakdown for this report.

With over 7,000 units, Canada continues to be the dominant market for U.S. franchisors despite its declining share of U.S. foreign outlets.

tries. Another 24 franchisors plan to extend their operations to foreign countries by the end of 1985.

Japan replaced Canada as the largest market for franchisors of restaurants; Canada is now in second place, followed by Australia and the United Kingdom.

For the second time since 1975, more units were repurchased in 1982 for company operation than were converted to franchisee-ownership. These buy-backs were primarily due to depressed economic conditions. In 1982, 475 units were repurchased for company-ownership, while 389 units were converted to franchisee-ownership.

Convenience stores

Convenience stores, built around speed and service, provide the multiple "fill-in" items that consumers need between their regular trips to the supermarkets.

Growing numbers of convenience stores are realizing extra sales by installing on their premises gasoline pumps, usually self-service.

In order to increase sales volume and compete with fast food restaurants, convenience stores are offering a wide variety of take–out foods such as hot and cold sandwiches, coffee, chicken, hot dogs, and an assortment of other dishes, precooked by the supplier and requiring only reheating or reconstituting in a microwave oven.

Despite intensified competition from supermarkets offering extended hours and Sunday shopping, and the decision of three franchisors of convenience stores to abandon the franchise system in 1982, sales still moved up almost four percent in 1983.

The three franchisors that dropped out of the franchise system in 1982 had a total of 1,400 stores with sales of $495 million. Consequently, the number of convenience stores in the franchise system dipped to 15,086 in 1983, down by 4.6 percent. Gains of almost 11 percent in sales and five percent in number of establishments are expected in 1984.

Food retailing

The retailing of food by specialty food shops, donut shops, ice cream stores, coffee services, donut shops, bakeries, cookie shops, candy stores, nut stores, and others, amounted to $8.5 billion in 1983, eight percent over the previous year; sales in 1984 are expected to reach $9.3 billion.

The number of establishments was slightly down in 1983 due to the departure of a large franchisor from the system. In 1984, the number of units is expected to rise to 16,115, a jump of three percent over the year before.

Two of the better-known groups in this category are donut shops and ice cream stores. In 1982, there were 20 franchisors of donut shops providing jobs for 29,217 persons. Sales and establishments for donut shops for the years 1982-84 are listed on page 000. The sales and units of 31 franchisors of ice cream stores, who in 1982 employed 41,116 persons, are listed on page 000.

Hotels and motels

Occupancy rates in the lodging industry should be about 66 percent in 1983 with a stronger showing in 1984. The average price per occupied room for hotels was $62 in 1982 and is expected to fluctuate around $68 in 1983. For motels, the average price per room was $41 in 1982, reaching $44 in 1983.

Construction of new lodging facilities is not expected to accelerate in the near future, primarily because rates of interest remain high. When new construction resumes, the pace will be somewhat slower than it was in the past, with downtown and airport locations having top priority.

Hotel, motel, and campground franchisors in 1983 represented 6,576 establishments, with receipts estimated at $12.3 billion. Receipts are expected to rise 8 percent in 1984 over 1983, reaching almost $13.4 billion.

INTERNATIONAL RESTAURANT FRANCHISING IN 1982
Location and Number of Establishments*

Major Activity	U.S. Firms	Total	Canada	United Kingdom	West. Europe	Japan	Other Asia	Australia	New Zealand	Caribbean	Africa	Mexico	Central America	South America
Chicken	6	1,483	13	358	32	406	114	217	39	109	118	56	11	10
Hamburger	14	2,362	947	122	323	548	104	173	17	83	0	0	24	21
Pizza	10	410	68	0	5	88	51	121	15	23	6	24	9	0
Mexican	6	52	31	0	0	0	0	4	0	16	0	0	1	0
Seafood	3	12	6	0	0	5	1	0	0	0	0	0	0	0
Pancakes	2	14	7	0	0	7	0	0	0	0	0	0	0	0
Steak	16	342	100	1	0	205	6	7	0	3	0	20	0	0
Sandwich	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	57	4,675	1,172	481	360	1,259	276	522	71	234	124	100	45	31

**Includes company-owned and joint ventures*

Source: U.S. Dept. of Commerce

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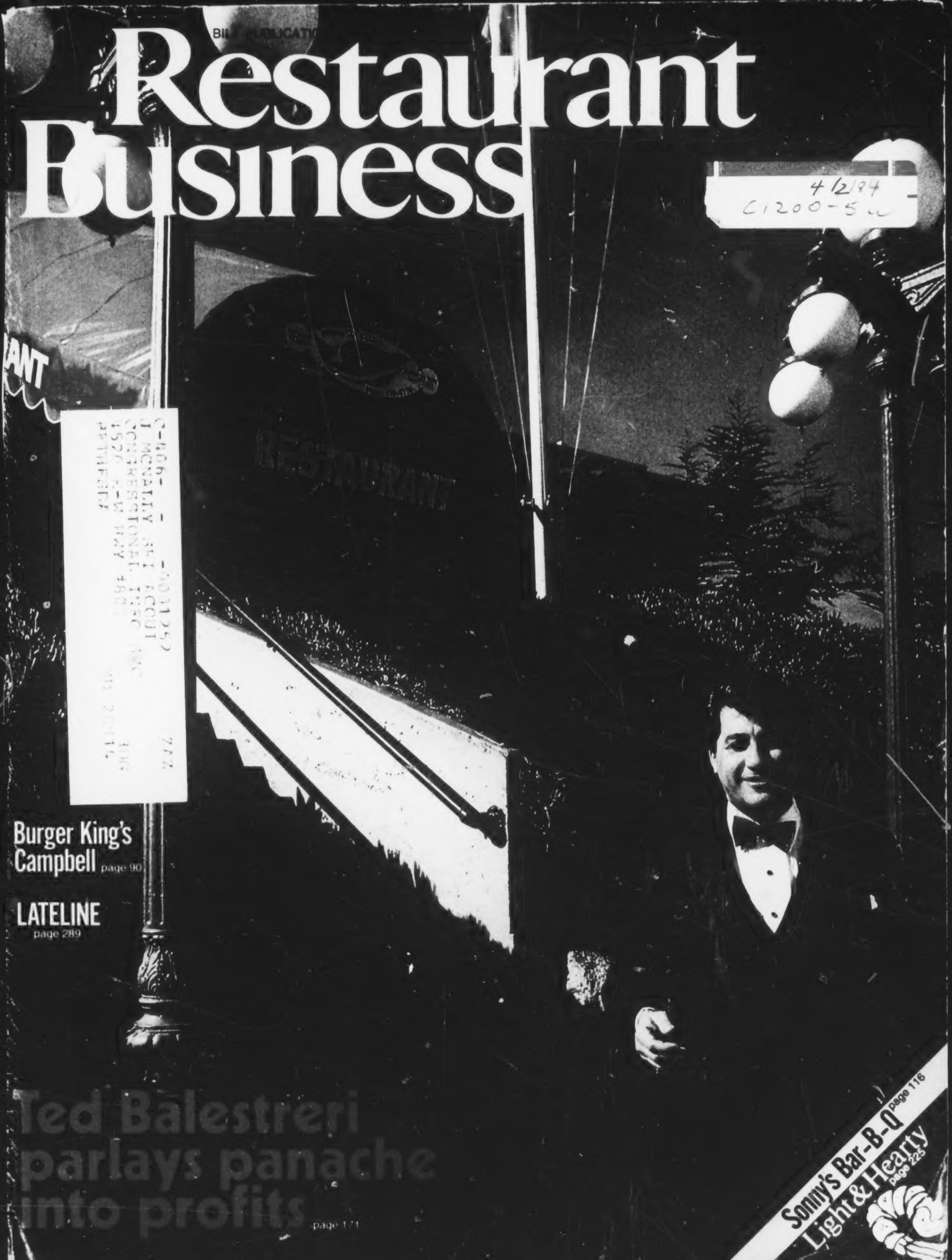

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Burger King's Campbell page 90

LATELINE page 289

Ted Balestreri parlays panache into profits

page 171

Sonny's Bar-B-Q page 116

Light & Hearty page 225

Restaurant Business

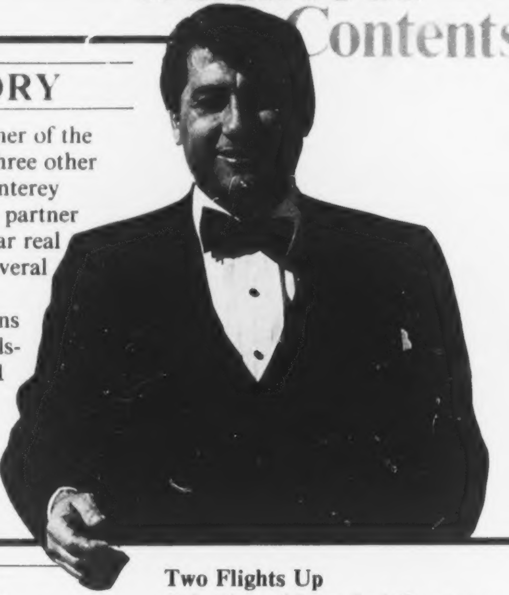
April 10, 1984

VOL. 83, NO. 6

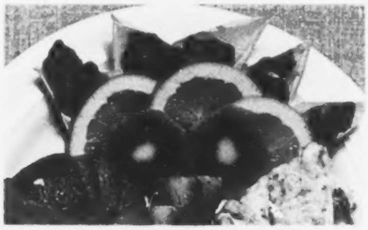
Contents

COVER STORY

Ted Balestreri An owner of the Sardine Factory and three other restaurants on the Monterey Peninsula, as well as a partner in a multi-million dollar real estate company and several other ventures, this Brooklyn native remains the quintessential hands-on restaurateur . . . **171**



MENU IDEAS



Light & Hearty Food editor Kathleen Sanderson shows how to satisfy different customer tastes by simply changing ingredients to offer light or hearty variations **225**

FEATURES

Sonny's Bar-B-Q
Following a period of accidental growth, this Fla.-based chain has aggressive expansion plans in the Southeast **116**

Copa de Oro
Extravagant decor makes this luxury Mexican restaurant a hit for El Torito **132**

Blue Mesa
With its Tex-Mex specialties, this restaurant brings a taste of Santa Fe to Chicago **138**

Market segment report: Mexican
The second of our exclusive market reports analyzes Mexican mania throughout the country . **144**

Two Flights Up
Orlando residents find the menu well worth the climb **182**

Dunfey Hotels
A commitment to American cuisine is evidenced at this hotel chain's Boston and New Orleans properties **188**

Capt. Crab's
With its take-out seafood concept, this Fla.-based chain has created a unique market niche . **192**

Mayflower Hotel
This Washington, D.C., property is undergoing a $60 million renovation **246**

Carbur's
A humorous menu full of anecdotes and hundreds of sandwiches keeps this New England chain competitive **252**

Heartland Market
American cuisine is the star of this restaurant complex in Kansas City's Crown Center **258**

O'Kitch
Following his legal battle with McDonald's in Paris, Raymond Dayan is building his own burger chain **264**

BEDA awards
Who are the 100 winners in the annual Business Executives' Dining Awards Competition? . . **270**

COEX '84
A report on this annual conference held in late February in Miami, Fla. **277**

DEPARTMENTS

Sanitation Tips **2**

RB Insights **12**

Editorial
Showtime for the NRA **24**

Up Front **28**

Trade Quotes **65**

Menu Planners Guide **68**

Tax Bite
The 'golden handcuffs' plan **84**

Management Psychology
The value of motivating managers **88**

Executive Profile
J. Jeffrey Campbell **90**

Operations Savvy
Teaching customer service **96**

Data Control
Computerizing multi-unit operations **104**

Worth Writing For **112**

Calendar **113**

Design Marketplace **200**

Drafts, Carafes & Spirits
Having fun promoting rum **203**

Bar Management Guide **208**

Raising Your Equipment I.Q.
Conveyorized cooking **212**

Buyer's Circle **220**

Book Review **272**

Restaurant Stirrings **274**

Classifieds **284**

Lateline **289**

Cover Photo by Don Gruber

Market Segment Report

Sizzling Fajitas are popular at W.R. Grace's El Torito.

Mexican menus invade American markets

by Jacque Kochak

Mexican mania is sweeping the country. Staid New England cities are warming up to salsa, and popular Mexican restaurants are showing up in such quintessentially southern cities as North Carolina's Chapel Hill.

Mexican food is indigenous to an arc of southwestern states from Texas to California, where Mexican immigrants introduced their distinctive ingredients and recipes. But in the last few years this unique food has captured fans thoughout the country.

Besides the rapid growth of Mexican food and the spread into new regions, restaurateurs are seeing changes in the level of customers' sophistication about Mexican food.

"We're seeing the same traditional Mexican items growing in popularity as new people are introduced to Mexican food, but as their tastes mature they look for more upscale items," says Bob Anderson, vice-president of marketing for Casa Gallardo, a 30-unit dinner house chain owned by General Mills. "The Taco Bell version of a taco is fine for getting acquainted and will continue to be popular, but a customer who likes Mexican food soon learns there is more."

Indeed, there is more. Mexico boasts 17 different regional varieties of cooking, as well as different levels. Anyone who dismisses Mexican food as junk food is unaware of the subtly-flavored seafood dishes of the Pacific coast or the cooking of the Yucatan, where descendents of the Mayans wrap food in banana leaves and broil it in open pits.

They are also uneducated about the levels of Mexican food, ranging from the ever-popular "finger foods" like tacos, burritos, enchiladas, and tamales, classified as "Tex-Mex," on up to "La Cocina Grande," or haute cuisine influenced by European cooking but subtly blending such indigenous Mexican foods as beans, chilies, avocados, sesame seeds, cocoa and vanilla beans, tomatoes, mangoes, and turkey. The Spanish added their own onions, garlic, rice, nuts, and olive oil.

In between is the kind of food that middle-class Mexican families eat at home, now showing up on more and more Mexican menus. Examples include meat and chicken dishes covered with a mole sauce (a chili sauce often including unsweetened chocolate) or in the form of a guiso (soup).

Sauces are very common and Mexican sauce-making is a fine art. For instance, Il Grande Mole calls for 27 ingredients, ranging from five kinds of chilies to almonds, pecans, peanuts, avocados, raisins, peppercorns, cinnamon, cloves, and

continued on page 148

Mexican *continued from page 144*

El Chico's Mama's Taco Salad is served in a deep-fried shell.

Taco Time has added the "Casita Burrita" to its menu.

unsweetened chocolate.

The restaurateur serving Mexican entrees should beware, however, of over-judging the customer's level of sophistication. What's popular in Phoenix may not play in Peoria because customers often have a fixed idea of what is Mexican food and what is not, though that perception may have little to do with the truth. If they see chicken with chocolate sauce when they are expecting the ever-popular deep-fried chimichanga, they may head for the door.

That's why El Torito, a chain of 119 Mexican restaurants owned by W. R. Grace and headquartered in California, offers different menus for different areas. "In the Midwest and Northeast our menu is very limited and focuses on core items," says Fred LeFranc, El Torito's vice-president of operations and marketing. "On the West Coast and in areas where the market has matured, we offer more specialty items, with a variety of meats, chicken and seafood."

Le Franc notes that some larger markets mature very quickly, even if Mexican food is new to the palate. He mentions Chicago, New York, and Boston as rapidly maturing markets. "It is difficult to say how long it will be before we offer a more sophisticated menu in markets like Lexington, Louisville, Seattle, or Eugene, however," he says. "As we see customer frequency increasing, we start offering specialties. That can take anywhere from one to three years."

Top 10 Mexican Chains
(Based on Systemwide Sales)

Company	No. of Units*	1983 Sales** *(millions)*	Avg. Unit Volume**
Taco Bell	1,163	$577.2	$400,000
Chi-Chi's	92	$198.5	$2.7 million
El Torito	119	$194.4	$1.8 million
El Chico	85	$ 80	$1.1 million
Taco Time	246	$ 79.9	$299,000
Taco John	352	$ 79.7	$240,000
Del Taco Inc.	180	$ 65.3	$380,000
Monterey House	85	$ 61.5	$741,000
Del Taco Corp.	120	$ 45.6	$380,000
Casa Gallardo	30	$ 45.6	$1.9 million

**Unit data as of Feb. 1984*
***Sales data based on year-end sales and estimated by* Restaurant Business

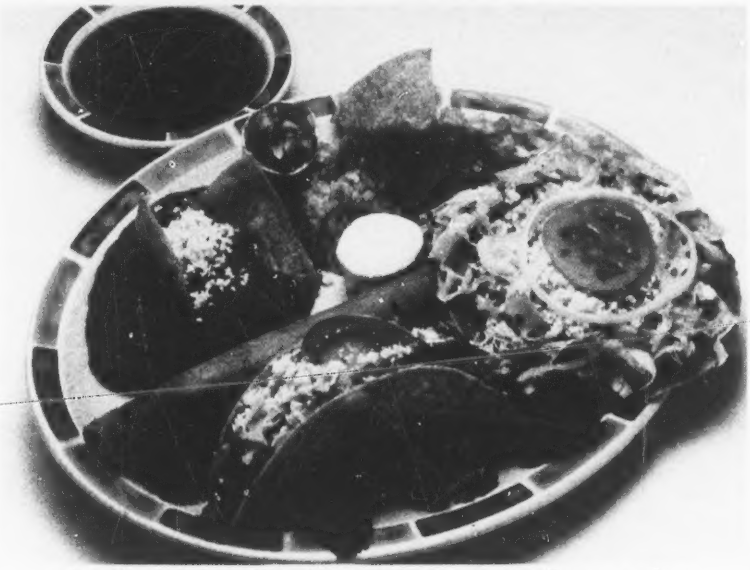
Acapulco y Los Arcos, another California-based chain, found out the hard way that tastes differ radically from region to region. The chain is noted for its innovative and refined approach to Mexican cooking; founder Ray Marshall was the first chef ever to win a Gold Medal for Mexican cooking at the World Culinary Olympics. Several units were opened in the Midwest in 1982, then promptly closed in 1983. Part of the problem was the units' distance from home-base, where operations could not be monitored on a day-to-day basis. And, Acapulco y Los Arcos found itself faced with a bigger educational job than it chose to pursue.

"Though we have the tacos and enchiladas, we also have some very subtle, delicate seafood dishes that *are* Mexican, but the people in the Midwest didn't perceive them as Mexican," says Karen Mathison, director of marketing. "What they expected and what we offered were two different things."

Despite the growing popularity of Mexican food, it is still a rarity in some parts of the country. The Restaurant Consulting Group's RECOUNT study showed only 94 Mexican restaurants in New England, for a total of only 0.6 percent of all restaurants. The heavily populated Middle Atlantic states fared little better, with only 390 Mexican

continued on page 150

Unusual offerings at Pepe's in Chicago include Guisado de Res, or beef stew.



Combination platters like this one at Pepe's are top sellers everywhere.

outlets or 0.9 percent of total restaurants. That contrasts with the Pacific states, where there are almost as many Mexican outlets as there are hamburger outlets. Mexican restaurants comprise 8.2 percent of the market with 3,869 units, compared to hamburgers at 8.6 percent of the market with 4,080 units. Yet some observers say that even the California market isn't saturated with Mexican restaurants, though there's one on almost every corner.

RE-COUNT says there are 1,314 Mexican restaurants in the Mountain states, making Mexican the third most popular type of food there behind hamburgers and pizza. The West/South Central region, birthplace of Tex-Mex, boasts 2,543 Mexican eateries, for 6.4 percent of the market. All told, there are 11,352 Mexican restaurants in the entire U.S., for 3.8 percent of the market.

Independents are still very important in the Mexican food segment, though fast food, especially, has seen the rise of some extremely successful chains. Several Mexican dinner-house chains are expanding as well.

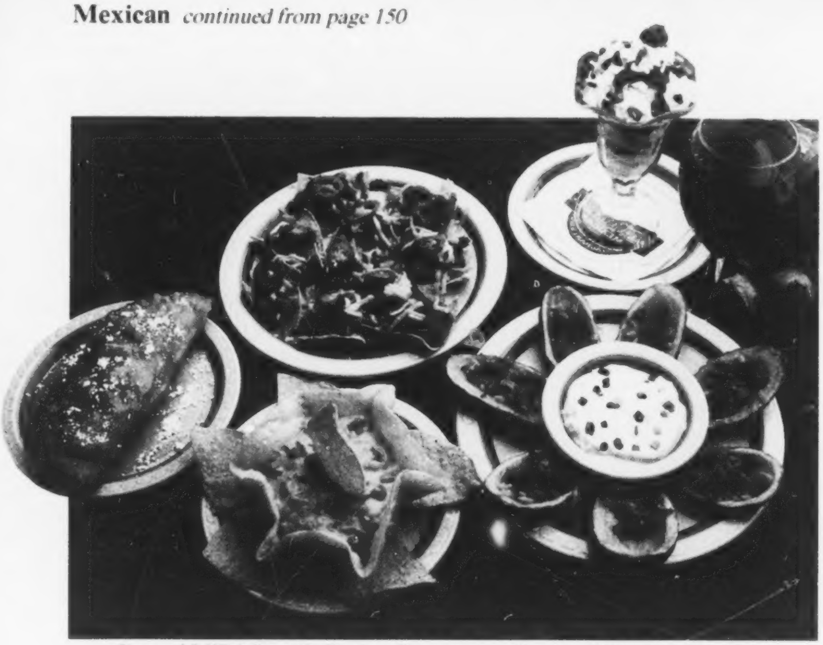
However, only a modest 30 percent of Mexican restaurants are part of franchise systems. We say modest, because that compares to 77 percent of hamburger and other sandwich restaurants, 83 percent of chicken restaurants, and 41 percent of pizza restaurants.

In 1983, there were 3,374 Mexican outlets that were part of franchise systems, a 45 percent increase over 1978's total of 2,329. Their sales increased in the same period from $602.4 million to $1.5 billion, a skyrocketing 149 percent. Of that total, 1,505 were company-owned in 1983 and 1,869 were franchisee-owned.

Though the chains are definitely a presence in some of the more mature markets like California and Texas, it is in many cases the independents who are introducing the public to the refinements and nuances of Mexican cooking. "I think everyone is watching the hot independents because they are the most innovative," says Dick Huston, vice-president of marketing for El Chico Corp., a chain of 85 dinner houses in the South and Southwest. "We watch what the independents are selling a lot of, then we test it. As the consumer gets more sophisticated, we see popular independents like Javier's and Raphael's here in Dallas selling a lot of chicken and fish. We'll always keep our basic Tex-Mex, but we will clearly have to evolve."

These Mexican independents are no longer inexpensive taquerias on the wrong side of the tracks. Though many are still owned by Mexican immigrants or their descendents, they have benefited from—or helped create—the public's hunger for Mexican cuisine. Restaurants like Las Mañanitas in San Francisco, Las Casuelas in Palm Springs, Mérida in Houston, Fonda San Miguel in Austin, Cafe Cancun in Dallas, Su Casa in La Jolla, and Carlos & Charlie's in L.A. are bastions of style.

continued on page 152



General Mills' Casa Gallardo offers a tasty selection of Mexican specialties.

One example is Casa de Bandini in San Diego's historic Old Town. The restaurant opened in a dilapidated Spanish-era home, and owner Diane Powers filled it with an extensive selection of art and antiques.

The enormous restaurant seats almost 600 people during the summer months, and manager Jaime Cañedo says 90 percent of them are Americans. They are drawn by a menu that includes such specialties as camarones al mojo de ajo, or butterflied shrimp grilled in a light garlic, pepper, and cilantro sauce and served on a bed of rice, and Especial de San German, which combines seasoned shrimp sautéed in butter and brandy with a creamy wine sauce accented by an orange flavored liqueur. The price range is from $3.75 to $9.50, and Cañedo notes that sales just keep going "up and up."

Powers also owns the Casa de Pico, another Mexican restaurant nearby in Old Town's Bazaar del Mundo. Here, the menu is served to a mix of tourists and locals on a patio amid bright umbrellas.

Even outside the Mexican food belt independents are important, and sometimes they are pioneers. Su Casa in Chicago is an institution. Gonzales & Gertrude's is popular in Memphis, as is Los Cunados in Nashville.

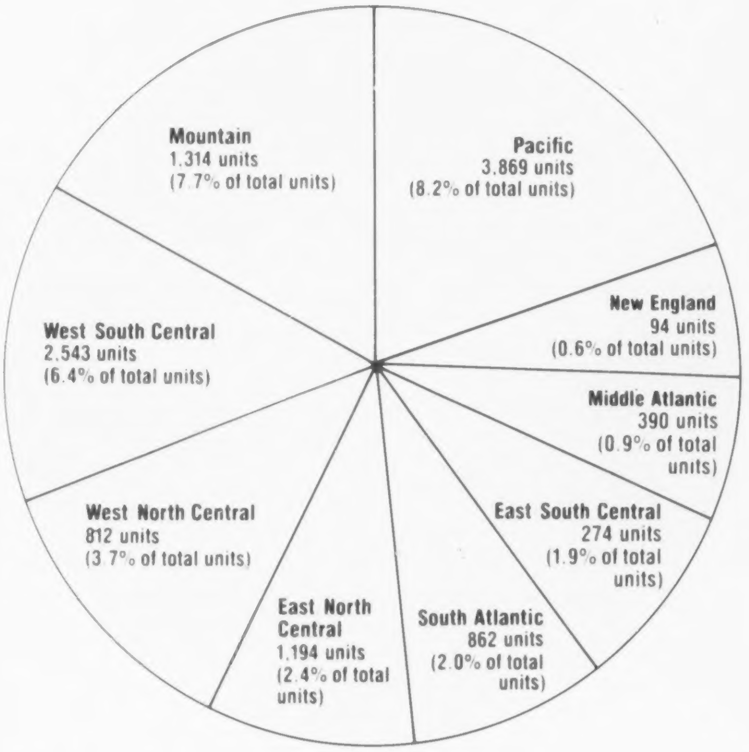
In Chapel Hill, N.C., the adventurous tastes of a college population prompted owner Rick Suberman to open Papagayo in 1978. Another unit opened in Raleigh nine months later, a third in Kill Devil Hills on the Outer Banks in 1981, and a fourth in Winston-Salem in 1983. Vice president of operations Henry Schliff notes that additional expansion is being planned.

Schliff adds that Mexican food was fairly unfamiliar when the first Papagayo opened, but because Chapel Hill has an affluent, educated, well-traveled population, Suberman decided to take the chance.

Papagayo eschews traditional Mexican decor for a light, airy atmosphere with a natural wood bar, fan lamps, and wicker chairs. Average dinner check ranges from $8 to $10 with drinks.

continued on page 154

U.S. Mexican Restaurants



11,352 total U.S. units
(3.8% of total U.S. restaurants)
Source: Restaurant Consulting Group
RE-COUNT, Spring 1983

Mexican *continued from page 152*

TACOS
RESTAURANT
Cocktails
424-8222

Pepe's is positioned between Taco Bell and Chi-Chi's, with emphasis on families.

Schliff, whose background is in French cooking, takes pride in the quality of Papagayo's food. "We don't have a lot of sophisticated, esoteric dishes, but we use very good ingredients," he says. "You'll never find us using imitation sour cream or putting foam in our margaritas. We call ourselves 'gourmet' for that reason."

That desire for quality extends to seeking out tomatillos from Mexico, chilies from the Hatch Valley of New Mexico, and avocados from California. These ingredients go into the typical tacos, burritos, chili rellenos and quesadillas (made with a whole wheat tortilla), as well as such specialties as fajitas (in this case two large, hot soft flour tortillas filled with carne asada, salsa, and lettuce and tomato), and baturillo de legumbres (a wheat tortilla filled with beans, guacamole, sour cream, lettuce, tomato, red chili sauce, and melted cheese). Papagayo also offers a Mexican-oriented salad bar at lunch with Mexican vinaigrette, different kinds of beans, tortilla chips, and Mexican soups.

Schliff also notes the increasing sophistication of the customer. "As the market becomes more sophisticated, we are testing items as specials," he says. "But I think there are some pretty exotic tastes people here are not ready for, like green sauce with tomatillos, or some of the cruder tastes like dried red chilies. And we did unsuccessfully try some nice seafood dishes at Kill Devil Hills, including a ceviche (marinated raw fish) in a flour tortilla with a sauce. Nobody bought them. Maybe in the future."

Up in staid Hartford, Conn., a restaurant called Pancho McGee's has helped popularize Mexican food. Owned by a small chain called The Restaurant Group, Pancho McGee's manages to combine Mexican and barbecue specialities.

"All of a sudden, in two years, we've gone from three Mexican restaurants in the state to over 20," says manager Kevin McGill. "The interest in Mexican food is obvious when you walk through the supermarket—the selection of Mexican foods has doubled in the last few months. People are finding they like the taste, and it's affordable."

McGill affirms that his area is not ready for the more sophisticated Mexican fare, though along with the tacos and burritos Pancho McGee's sells such specialties as pollo de mole, chicken with chocolate and cinnamon sauce. Average check is $10 per person with drinks.

Among chains the market leader continues to be PepsiCo's Taco Bell, with 1,657 units and annual sales estimated at well over $600 million. Other fast feeders in the top 10 Mexican chains are Wyoming-based Taco John with 352 units, Oregon-based Taco Time with 246 units, California-based Del Taco Inc. with 180 units, and Georgia-based Del Taco Corp. (owned by W.R. Grace and a Del Taco Inc. licensee) with 120 units.

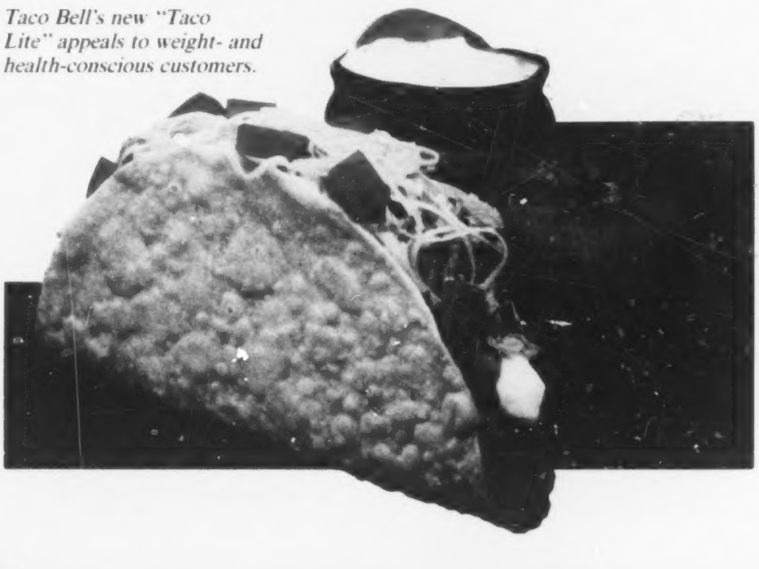
Most developments in the field of Mexican fast food reflect fast food trends rather than specifically Mexican trends. For example, Taco Bell is using its advertising to position itself against all other fast food chains rather than against other Mexican restaurants.

Mexican fast food chains are broadening their menus, with Taco Bell adding an extra large taco called Taco Bellgrande, a "light" taco, and nachos. Wichita, Kan.-based Taco Tico, with 110 units, has added chili as well as a dinner plate, and Odessa, Tex.-based Taco Villa has added a Salad Ole served in a deep fried flour tortilla. Taco Time has added nacho delights, tostada delights, the Casita Burrita, and a "Super Natural Taco" served in a whole wheat flour shell and stuffed with beans, meat, sour cream, guacamole, and lettuce.

Del Taco Corp. is now in the process of converting all its units to a

continued on page 156

Taco Bell's new "Taco Lite" appeals to weight- and health-conscious customers.



For information circle number 103→

Colorful drinks complement Acapulco y Los Arcos' menu.

An apple burrito, flan, and deep fried ice cream.

Del Taco Mexican Cafe concept. Karen Eadon, vice-president of marketing, describes the new concept as "still fast food, but similar in atmosphere to a family restaurant, with cacti on every table, tablecloths, ceiling fans, and prints on the walls."

With the decor changes comes a significant expansion of the menu. Dinner platters, with rice and beans, will build evening business, and a Mexican breakfast will be added. Breakfast consists of a soft flour tortilla filled with scrambled eggs, cheese, and red sauce, or eggs with bacon and sausage, for 69 cents; huevos rancheros for 99 cents; and pastry-like empanadas for 49 cents.

"We're after that famous adult fast food customer who wants more than the traditional plastic," says Eadon. "We're trying to do the same thing that Jack In The Box and Carl's Jr. are trying to do. We tested the new concept in 1983, and store volume increases in those stores were significantly higher—probably by about 20 percent."

By far, the largest Mexican dinner house chain is Chi-Chi's, located in 34 states and four Canadian provinces. The chain is beginning its penetration of the Northeast. In the New York metro area, where the Mexican food segment was locked up by independents, the chain now has three units.

Jack Butorac, Chi-Chi's vice-president of systems and administration, says that the chain has seen some changes in what the public wants from a Mexican restaurant, but refuses to comment on the changes. He will say, however, that Chi-Chi's sales for the first six months of fiscal '84 are running 68 percent over the same time last year. Unit sales volumes average $2.7 million.

Another Mexican dinner house beginning to penetrate new areas is El Torito, which is converting Red Coach Grilles in the Northeast to the El Torito concept. The California-based chain is aggressively opening units in Florida and the Midwest, says LeFranc.

El Torito emphasizes the authenticity of its food, says Le Franc, and corporate chefs travel throughout Mexico gathering recipes. The chain makes 100 million tortillas a month from huge company-owned silos filled with corn, and insists on USDA choice beef and aged cheeses.

El Torito's average check is about $5.25, says LeFranc. One specialty is tacos mexicanos, which is a marinated steak broiled and served in a soft corn or flour tortilla with an avocado relish and a pot of beans in a broth, called charro beans. The recipe is originally from Mexico City. Also popular are carne tampiqueña (choice steak stuffed with vegetables and ham, then wrapped in bacon and broiled) and camarones flores (jumbo shrimp wrapped in bacon, deep-fried and served on a bed of rice).

El Torito also operates several upscale Mexican restaurants under a variety of names. Among them are Cano's in Orange County, California, which specializes in seafoods of the Mexican Riviera. Selections include shrimp, snapper in a tomato vegetable sauce, all varieties of shark, and ceviche, the typical marinated raw fish.

Other concepts include La Fiesta, Que Pasa, Who-Song & Larry's Cantina, Las Brises, Copa de Oro, and Chubasco, all Mexican, as well as the Annie's Santa Fe's, transferred by owner W.R. Grace to El Torito ownership from Gilbert/Robinson Inc.

LeFranc says he believes the popularity of Mexican food has yet to peak. "I compare it to Italian food," he says. "We started with spaghetti palaces and pizza joints, and now people have a much greater appreciation for regional variations and subtleties. Tex-Mex will always be popular because it's fun and there's a very strong price/value relationship, but people will start to appreciate the subtleties."

El Chico Corp. operates 85 units in the South and Southwest, mainly Texas, Oklahoma, and Louisiana. Short-term development plans call for filling out existing markets and going into the Carolinas and Florida, says Huston.

The company recently changed hands, returning to co-founder Gilbert Cuellar, when Campbell-Taggart had to divest after its acquisi-

continued on page 160

For information circle number 104 ➔

tion by Anheuser-Busch. Thus, recent expansion has been slow but is picking up, says Huston. Since the change, he says, sales have been increasing at a rate of 20 percent a year.

Huston says El Chico's menu is unabashedly Tex-Mex, with an average check of about $5.50. The primary market is families.

The company has just introduced fajitas, which are strips of marinated skirt steak served on a sizzling frying pan and topped with sauteed onions and bell peppers.

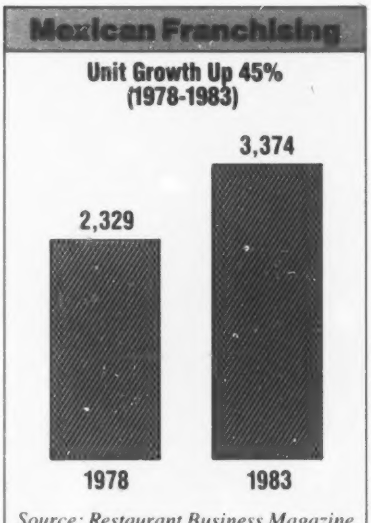
"The legend is that gringo cowboys gave Mexican cowboys the bad cuts of meat, like skirt steak. The cowboys learned to marinate it, grill it, cut it into thin strips and put it in flour tortillas with pico de gallo," says Huston. "Fajitas are an authentic, little-known Mexican food that has been very popular in Texas the last two years."

Acapulco y Los Arcos, which for now has ceased expansion outside the West Coast, is concentrating on filling in home markets. Marketing vice-president Mathison says the chain will open six new units in '84 and six to eight in '85, all along the coast as far north as Oregon. New York-based Restaurant Associates recently acquired 35 percent of the stock of Acapulco y Los Arcos, though at present no expansion is considered in the New York area. Restaurant Associates is a broad-based, publicly-owned foodservice and hospitality company.

Acapulco y Los Arcos offers an extremely broad menu with entrees in the $4 to $7 range. Seafood dishes include such specialties as Huachinango Veracruzano (Pacific red snapper simmered in a sauce of green peppers, onions, tomatoes, and stuffed green olives with rice and beans for $7.75) and camarones rancheros (Mexican shrimp stew with long hot green chilies). The menu boasts 65 combination plates in addition to a la carte selections, appetizers, salads, seafood specials, and some 22 specialty dishes.

With 32 units, Acapulco y Los Arcos posted 1983 sales of $37.9 million.

Another up-and-coming Mexican dinner house chain, founded in St. Louis by a Mexican immigrant whose first restaurant job was washing dishes, is Casa Gallardo. Now owned by the General Mills Restaurant Group, Casa Gallardo boasts 30 units with estimated sales each of $1.9 million.



Source: Restaurant Business Magazine, U.S. Dept. of Commerce

At Casa de Pico in San Diego, customers dine under umbrellas.

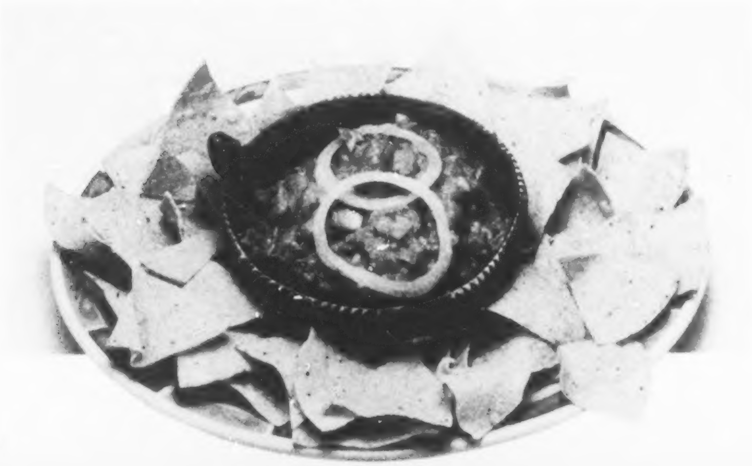
Casa Gallardo will open another four units by June 1, with development concentrated in the Southeast and the Midwest, says marketing vice-president Anderson.

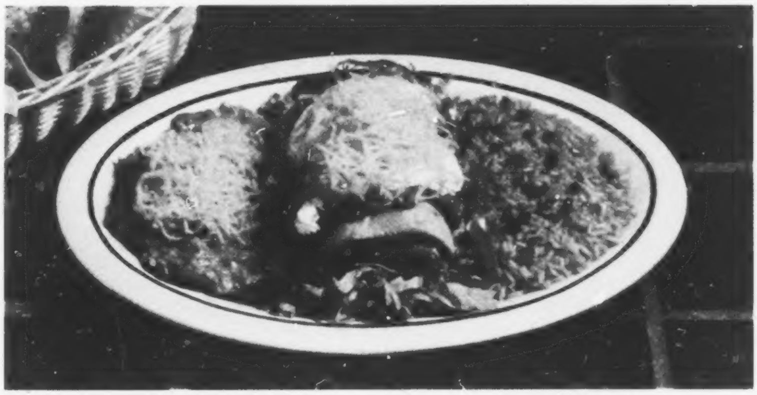
The chain recently introduced an expanded menu, with some upgraded items like a steak taco served in a soft flour tortilla with sauce, refried beans, and relish, as well as a burrito machaca (machaca is shredded beef), tamales, and chili con carne. The new menu also includes potato skins and a couple of American items as well as several new desserts, including empanadas.

Average check is $5.95, and the single most popular entree continues to be the chimichanga, which is whole chunks of beef, pork, or chicken in a tortilla shell dressed up with guacamole, sour cream, and

continued on page 164

Guacamole like Pepe's is always a favorite.





Del Taco Corp. has introduced platters to boost evening business.

plenty of cheese.

Anderson says that Casa Gallardo charts customer preferences closely, and he sees a lot of interest in appetizers and finger foods. Therefore, the chain also has added a Mexican pizza and more nachos, and is broadening the a la carte section.

Casa Gallardo is venturing into some markets, such as Huntsville, Ala., and Richmond, Va., where Mexican food is uncommon. The chain is preparing a whole host of promotional variations to educate customers in such markets, says Anderson.

Garcia's of Scottsdale, based in Phoenix, also has 30 units throughout the U.S. from Alaska to Florida. New units are opening in Boise, Idaho; Miami, Coral Springs and Ft. Lauderdale, Fla.; and Northridge, Calif. Expansion has slowed down somewhat from '83, says manager of marketing services Christy Miller, and the chain will now concentrate on a franchising program.

Garcia's was founded about 25 years ago by Julio and Olivia Garcia, and the Sonoran-style menu includes about 100 items. Most popular are pollo fundido (a deep-fried folded flour tortilla filled with seasoned chicken and covered with melted cheese for $6.95), chimichangas, and the tostada del rey. Tostada del rey is chicken or beef in a deep-fried molded tortilla layered with lettuce, sour cream, green onions, jack and cheddar cheese, and machaca beef or seasoned chicken for $6.45.

Miller notes that she is seeing more and more interest in chicken and vegetable dishes, in keeping with the trend to maturing tastes.

She adds that Garcia's seeks the same market as Chi-Chi's and El Torito, though not on the same scale. Prices and average check are in the same range.

Across the country, regional chains such as Casa Bonita and Ninfa's in Texas flourish. One is Chicago-based Pepe's, with 70 units in the metro area.

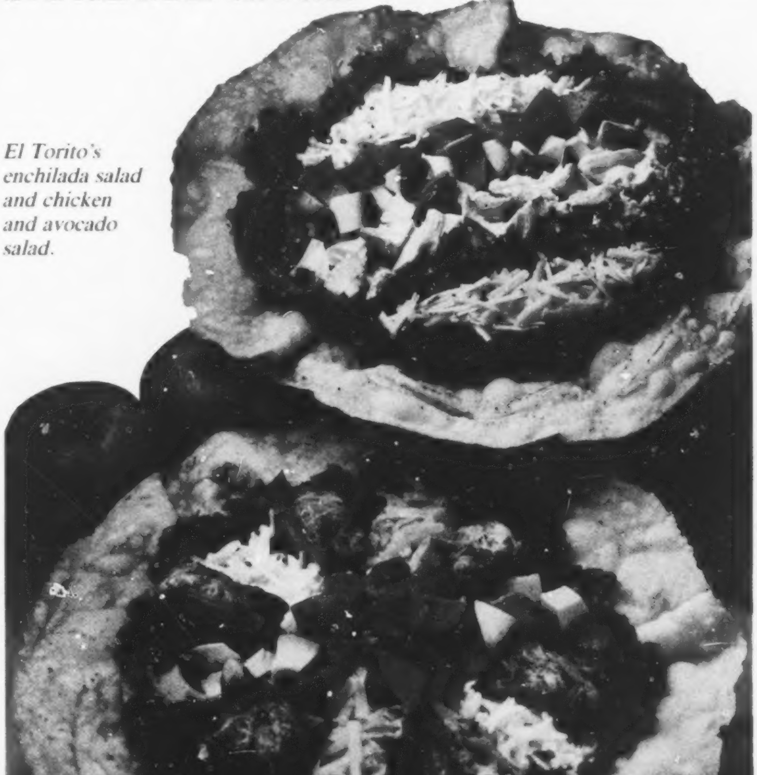
President Robert Ptak describes the menu as "definitely not Tex-Mex." Entrees include two Mexican stews, guisado de puerco and guisado res, as well as chicken in a mole sauce, chilies rellenos, and menudo. Menudo is a typical stew made with tripe that sells suprisingly well, Ptak says.

He adds that taco dinners are the most popular, followed by enchiladas suizas and tostadas suizas (suizas refers to cheese). But as the public becomes more adventurous, the chain is adding more Mexican soups, including a meatball soup with chunks of vegetables.

Ptak says Pepe's is positioned somewhere between Taco Bell and Chi-Chi's, with emphasis on the family dinner. Though the restaurant offers table service, some 20 percent of sales are take-out.

Another regional chain picking up momentum is Fort Worth-based

continued on page 166



El Torito's enchilada salad and chicken and avocado salad.

Uncle Ben's®

Menu Messages

Chopped Steak Olé

Serving suggestion: UNCLE BEN'S turns this chopped steak into a festive Mexicali meal. Cook UNCLE BEN'S® Fast Cooking Spanish Rice (made with 29 specially blended herbs and seasonings) according to package directions. Broil or grill 6-oz. chopped steak patties. To serve, arrange chopped steak on a bed of hot cooked rice, then top with 1 oz. picante sauce, 1 oz. shredded lettuce and 2 oz. Cheddar cheese. Garnish with diced tomato. One package of UNCLE BEN'S Fast Cooking Spanish Rice makes 24 servings (No. 8 scoop).

How to merchandise: Look for other easy ways to add Mexican zestiness to your menu by adding colored napkins, tablecloths and streamers to give a festive mood.

Approximate Spanish Rice Cost: 14¢ per 4 oz. serving.

To help you merchandise Spanish Rice all year round, UNCLE BEN'S offers free menu clip-ons and table tents in our Mexican Fiesta Kit. Simply write on your letterhead to: Mexican Fiesta Kit...

Uncle Ben's
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Mexican

continued from page 164

> It's only fair to note that Mexican mania hasn't spelled total success for everyone.

units in Texas, Arizona, and Louisiana. The company operates 29 Pancho's, three Spanish Galleons, and three Emiliano's, and plans call for adding six restaurants this fiscal year.

The chain closed the '70s in the red, but president Hollis Taylor led a turn-around action that involved closing a number of unprofitable restaurants. Unit volumes are up, and Pancho's has commissioned blueprints for two new styles of restaurants. Older units are being remodeled.

It's only fair to note that Mexican mania hasn't spelled total success for everyone. Diversifoods (until recently Chart House) is converting its Cisco's units, and Kentucky Fried Chicken's Zantigo's are more or less in limbo right now.

For the moment, the Mexican food segment is a foodservice success story. "Even in Texas, where Mexican food is a way of life, there's room for more growth," notes Del Taco's Eadon. □

Steak Picado, Vista del Mar, and the tostada at Acapulco y Los Arcos.

A BILL PUBLICATION · FAST FOOD

Restaurant Business

JUNE 10, 1984

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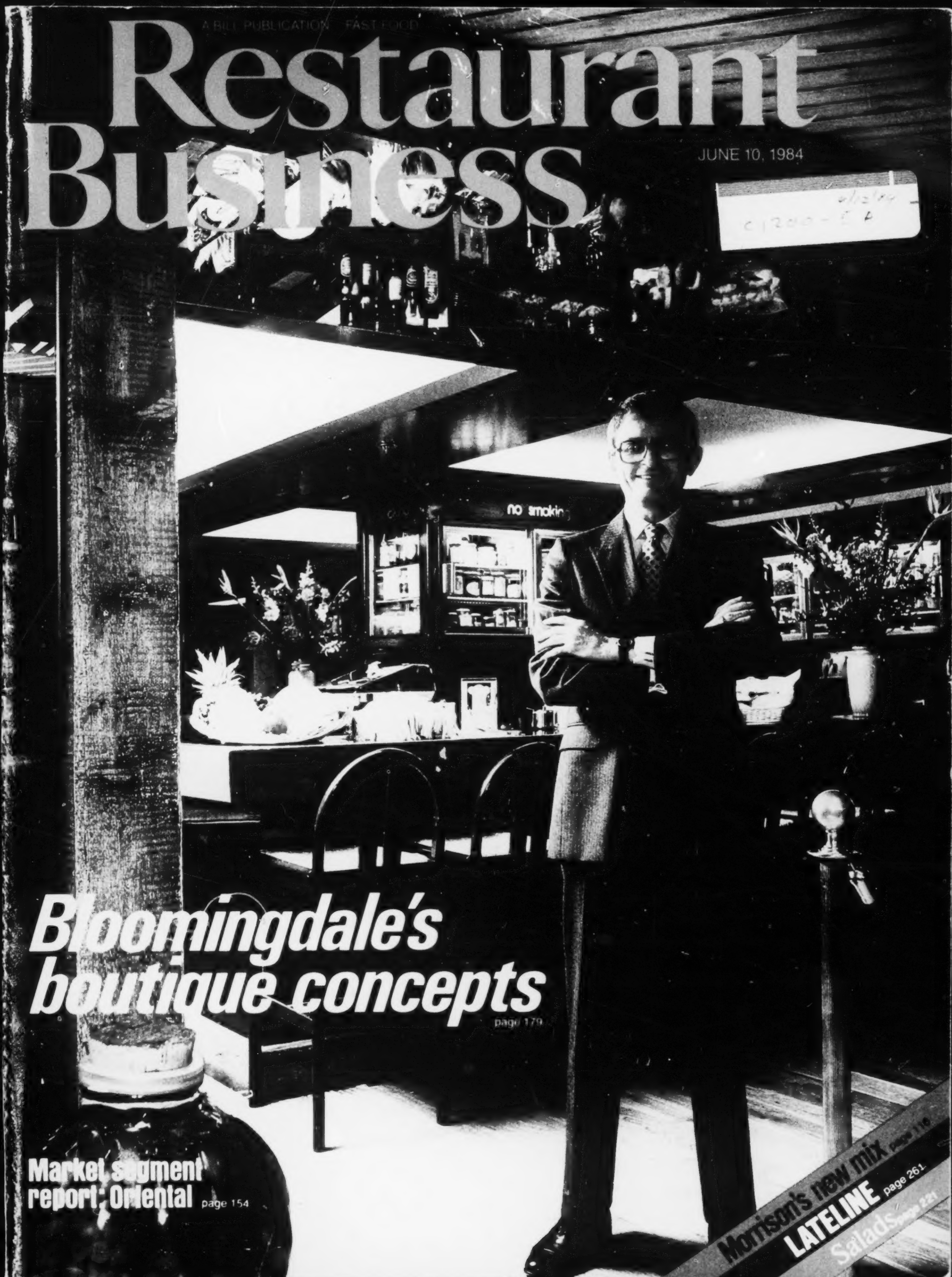

Bloomingdale's boutique concepts

page 179

Market segment report: Oriental page 154

Morrison's new mix page 116

LATELINE page 261

Salads page 221

Restaurant Business

June 10, 1984 VOL. 83 NO. 9

Contents

COVER ST

Bloomingdale's boutique concepts
This retail giant's ability to merchandise its foodservice facilities as it does its couture collections results in 30 restaurants ranging from serious to fun; traditional to funky as well as a projected sales increase of 11 percent in 1984 to $11 million . . . **179**

FEATURES

Morrison's Cafeterias
This 64-year-old cafeteria chain is revitalizing its old-line outlook and operations **116**

Wendy's
CEO Bob Barney discusses the future of the third largest hamburger chain **134**

Cucos
A Sizzler franchisee in Louisiana and Mississippi is converting underperforming units to this new Mexican concept **142**

MENU IDEAS

Scintillating salads
With the summer months ahead, food editor Kathleen Sanderson shows how to create refreshing summer coolers using a cornucopia of fresh fruits, vegetables and dressings **221**

Market segment report: Oriental
Restaurant Business continues its special series with an in-depth analysis of the fast growing, but underpublicized Oriental segment **154**

United Nations
The challenge is how to serve meals to thousands of nationalities, around the clock? **230**

DEPARTMENTS

Sanitation Tips **2**

RB Insights **12**

RB Spotlight: Indianapolis **14**

Editorial
Going grazing **20**

Publisher's Memo
Capturing the cover spirit **24**

Up Front **26**

Menu Planners Guide **60**

Tax Bite
'Reasonable' compensation? **80**

Management Psychology
Coping with job pressure **84**

Operations Savvy
Career development system **88**

Data Control
How to buy an ECR **92**

Executive Profile
Robert Kozlowski, Canteen Corp. president **102**

Trade Quotes **112**

Worth Writing For **200**

Promotional Spotlight **202**

Drafts, Carafes & Spirits
Tropical treasures **207**

Bar Management Guide **210**

Raising Your Equipment I.Q.
The steam team **212**

Design Marketplace **218**

Chef's Art
W. Zuromski, The Seelbach . . . **229**

Training
Sequential selection **236**

Buyer's Circle
The latest in equipment **240**

Classifieds **256**

Calendar **259**

Lateline **261**

RB Eyes Washington **264**

Restaurant Openings **266**

Cover photo by Charles Wiesehahn shows Bloomingdale's Alan Reyburn at the New York store's Tasting Bar.

Top 15 television and radio advertisers

The foodservice industry ranks fourth in total expenditures of all TV advertisers and remains the top spender of all retail categories.

Restaurants and fast food chains spent a hefty 24 percent more on television advertising last year than in 1982. This increase caused the foodservice industry to jump to fourth in the ranking of total expenditures of all TV advertisers, according to the annual Broadcast Advertisers Report published by the Television Bureau of Advertising.

With total expenditures of $712 million, restaurants and fast food chains were outspent on TV ads by only three categories: food and food products, ($1.8 billion); toiletries and toilet goods ($1.2 billion), and automotive ($1.2 billion). Last year, foodservice ranked ninth.

Restaurants and fast food chains remain the top spender of all retail categories, outspending by 32 percent the at-home eating competitor food stores and supermarkets—which also increased spending over 1982 levels, to $230 million. Although food stores and supermarkets increased local spending 19 percent, the category drastically reduced its network spending—from $7.8 million in 1982 to $1.8 million in 1983.

Of restaurants and fast food chain's total 24 percent increase to $712 million, 25 percent ($213 million) was for network ads and 23 percent ($498 million) was for local ads. Local ads accounted for 70 percent of the expenditures. These figures exceed the total advertising increases for all categories of 13 percent for network; 10 percent for local.

Not surprisingly, McDonald's outspent all restaurant and fast food competitors, spending more than its three closest contenders—Burger King, Kentucky Fried Chicken, and Wendy's—together, burger battle

continued on page 96

TOP 15 RESTAURANT & FAST FOOD CHAIN ADVERTISERS
Network and Local Television 1982 vs. 1983

	1982			1983			
	Network	Local	Total	Network	Local	Total	% Change
1. McDonald's	$ 59,876	$ 92,760	$ 152,636	$ 80,931	$ 105,024	$ 185,956	+ 22
2. Burger King	35,400	28,759	64,160	35,642	46,823	82,466	+29
3. Kentucky Fried Chicken	27,184	14,845	42,030	30,577	19,251	49,828	+ 19
4. Wendy's	13,817	17,790	31,608	18,683	31,030	49,713	+ 57
5. Pizza Hut	13,283	22,403	35,685	17,007	30,152	47,159	+ 32
6. Red Lobster Inns	——	25,866	25,866	7,674	21,087	28,761	+ 11
7. Taco Bell	——	11,474	11,474	——	18,560	18,560	+ 62
8. Long John Silver's	——	20,159	20,159	——	17,644	17,644	– 12
9. Hardee's	——	10,795	10,795	——	17,583	17,583	+ 63
10. Denny's	12,427	4,470	16,897	12,166	4,467	16,633	– 2
11. Jack-in-the-Box	——	8,796	8,796	204	14,838	15,042	+ 71
12. Arby's Drive-In	4,802	7,398	12,200	6,270	7,652	13,923	+ 14
13. Dairy Queen	——	8,744	8,744	——	10,626	10,626	+ 22
14. Sizzler	——	8,645	8,645	——	8,846	8,846	+ 2
15. Godfather's Pizza	——	5,855	5,855	——	8,103	8,103	+ 38
Category Total*	**$ 170,104**	**$ 405,909**	**$ 576,013**	**$ 213,389**	**$ 498,133**	**$ 711,522**	**+ 24**

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

**Total includes all restaurant and fast food advertisers.*

continued from page 94

increases aside. At $81 million for network ads (a 35 percent increase), McDonald's is the only restaurant or fast food chain on the list of the top 25 leading network televison advertisers. McDonald's holds the 22nd position.

Rivals Burger King and Wendy's increased spending by higher percentages than McDonald's 22 percent. Burger King spent 29 percent, or $82 million more, and Wendy's increased TV advertising an impressive 57 percent, or $50 million.

Burger King is the only one of the top four chains that increased radio advertisement spending, with a 23 percent increase to $5.1 million.

Several chains decreased radio expenditures. McDonald's is down 25 percent to $2.8 million for radio ads; Kentucky Fried Chicken is down 54 percent to $976,000; and Wendy's is down 20 percent to $900,000.

Jack In The Box stepped up spending significantly, with a 71 percent jump to $15 million in television advertising and a 43 percent increase to $6.7 million in radio advertising. Jack In The Box spent $204,000 on network ads, an impressive show since the company ran no network advertising in 1982.

Other chains that made major TV advertising jumps were Hardee's, up 63 percent to $18 million; Taco Bell, up 62 percent to $19 million; and Godfather's Pizza, up 38 percent to $8 million, all local.

Denny's is the only chain in the top 15 that cut its ad budget (by two percent), spending a total of $17 million. Meanwhile, the coffee shop chain boosted its radio ad budget by 99 percent to $656,000.

Nine out of the 15 top TV advertisers put all their money into local ads, with Kentucky Fried Chicken and Denny's the only two chains to spend more on network spots.

Nine restaurant and fast food companies held spots on the list of the top 25 local/retail television advertisers: McDonald's—1; Pillsbury (Burger King)—2; Pepsico (Pizza Hut, Taco Bell)—3; Wendy's—4; General Mills (Red Lobster Inns)—7; R.J. Reynolds Industries (Kentucky Fried Chicken)—9; Imasco (Hardees, Burger Chef)—13; Jerico (Long John Silvers)—14; and Ralston Purina (Jack in the Box)—19.

Hotels and resorts with foodservice facilities, which compete with freestanding restaurants, spent significantly less on TV ads in 1983. Locally, hotels and resorts increased their expenditures 14 percent to $42 million. On network TV, the category actually reduced its spending six percent, to $20 million. This is primarily due to strategies designed to tap into the local market and attract residents as well as guests.

Radio advertising

Bennigans reported the largest jump in radio advertising, increasing its budget by an enormous 533 percent, to $4.8 million; the chain did not make the top 15 TV list. Round Table Pizza and White Castle followed with a 295 percent jump and a 107 percent jump, respectively. Overall, radio expenditures by restaurants were up 32 percent.

continued on page 100

Restaurant Business

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Of a total 24 percent increase in advertising expenditures, $712 million was devoted to network ads and $498 million to local ads. Not surprisingly, McDonald's again outspent all of its competitors burger battles aside.

TOP 15 RESTAURANT RADIO ADVERTISERS

1983 Rank	1983 (000s)	1982 (000s)	% Change
1. Jack in The Box	$ 6,673	$ 4,672	+ 43
2. Burger King	5,116	4,151	+ 23
3. Bennigans	4,817	761	+533
4. Red Lobster	3,674	2,662	+ 38
5. Taco Bell	3,589	2,190	+ 64
6. McDonald's	2,858	3,856	− 25
7. Domino's Pizza	2,809	—	—
8. Hardee's	2,299	2,276	+ 1
9. Howard Johnson	2,022	1,613	+ 25
10. Krystal	1,654	1,861	− 11
11. White Castle	1,362	659	+107
12. Denny's	1,307	656	+ 99
13. Round Table Pizza	1,198	303	+295
14. Kentucky Fried Chicken	976	1,429	− 54
15. Wendy's	900	1,126	− 20
Industry Total*	65,737	49,891	+ 32

Source: Radio Advertising Bureau

**Total includes all restaurant advertisers.*

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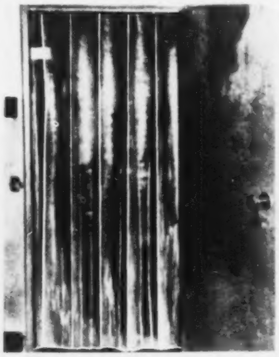

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Market Segment Report

Oriental market poised for explosive chain growth

by Jacque White Kochak

Oriental restaurants in the U.S. have not changed much for decades, but now two significant trends are transforming the image of this segment. Some analysts see restaurants serving Chinese and Japanese food poised for the same kind of explosive chain growth that has transformed the Mexican and Italian segments.

Oriental food is colorful and unusual. Oriental food is nutritious. Thus it is becoming increasingly popular among today's sophisticated, health-conscious consumers.

Recent CREST data made available to the National Restaurant Association clearly shows the activity in the segment. While restaurants in all categories posted a 2.7 percent increase in overall traffic between 1981 and 1982, traffic at quick service Oriental restaurants increased by an impressive 8.6 percent. Traffic at upscale Oriental restaurants was also up a healthy 10.9 percent, according to CREST. Surprisingly, traffic at mid-scale Oriental restaurants—the kind most likely to be run by mom-and-pop Chinese operators—was down 2.2 percent.

On the low-priced end of the segment, savvy Westerners with an eye for profit are beginning to see potential in exotic Far Eastern cuisine. Several infant chains are planning expansion. And a couple of Japanese companies are even stepping up U.S. openings.

On the upper end, Oriental food—particularly the kind of Japanese/French cuisine dubbed "La Nouvelle Cuisine Franco-Japonaise" and epitomized by Los Angeles' La Petite Chaya, has become very fashionable on both coasts. At the same time, knowledgeable consumers are seeking out some lesser known, authentic Oriental cuisines—though they still seem to love the kind of Americanized Oriental represented by expanding Benihana of Tokyo.

The drop in mid-segment pinpointed by CREST data could have ominous implications for the more traditional kind of Oriental restaurant. "Most people still expect to see Oriental faces when they go out for dinner, but at least 75 percent of Oriental restaurants are quick and carry-out oriented," says Norm Dyer, who with his Chinese wife and her parents operates Phoenix Oriental Cuisine in a Chicago suburb. "The low-end Oriental restaurants run by

continued on page 156

On the growth path is San Antonio-based Quik Wok with eight units generating annual sales of $2.9 million in 1983.

Quik Wok offers a limited selection of Cantonese dishes averaging $4.76.

Oriental families may have a run for their money. Wendy's could serve a good egg roll if they wanted to."

Promotion-minded individuals have started seeing potential in Oriental food because it has proven popular with people ranging from farmers to big city executives, yet the Oriental food segment has kept a very low profile. Despite the fact that there are more Oriental restaurants (11,369) in the U.S. than chicken restaurants (10,182), and as many Oriental restaurants as there are Mexican restaurants (11,352), Oriental restaurants have rarely been promoted or marketed aggressively.

There are very few major Oriental chains in the U.S. Oriental restaurants rarely franchise their concepts. And advertising for Oriental restaurants is minimal.

Yet Oriental restaurants account for 3.9 percent of all restaurants nationwide, compared to chicken restaurants at 3.5 percent and Mexican restaurants at 3.8 percent, according to Restaurant Consulting Group's Spring 1983 RE-COUNT study.

The reason for this lack of marketing seems to be rooted in the fact that Oriental restaurants have been dominated by Oriental families.

Chinese fast food

"Mom, pop, and family made a good living and they were satisfied with one or two units," says Joel Golden, one of the founders of Minneapolis-based Nankin Express. "Perhaps, they were not so entrepre-

continued on page 158

ORIENTAL GROWTH CONCEPTS

Name	Type of Service	1983 Sales	No. of Units	Avg. Unit Volume	Growth Outlook
Benihana of Tokyo	Full service	$70 million	47	$1.5 million	Will open 2 - 3 units a year
Gasho of Japan	Full service	$5.6 million	4	$1.4 million	One unit under construction at cost of $2.9 million. Eyeing 35 additional markets.
Dosanko	Fast food	$8 million	15	$600,000	Three additional units under development in New York City. Plans to have 50 units in three years, all in East Coast cities.
Tokyo Bowl	Fast food	$2.4 million	14	$285,000	Will open 3-4 company units this year. No franchising plans yet. Just went public.
Quik Wok	Fast food	$2.9 million	8	$500,000	Ninth store under construction; just signed a Florida lease. Preparing franchising program for national expansion.
Nankin Express	Fast food	$590,000	2	$400,000	Just signed development agreement with giant International Multifoods, developer of Mr. Donut. Just went public.

neurial that they wanted to grow. The recipes can be very sophisticated and complex, and without a lot of refining and modernizing of recipes they couldn't expand."

Nankin Express, recently turned public, developed out of a popular Twin Cities full-service restaurant, The Nankin. Golden, one of The Nankin's owners, decided to take the restaurant's most popular selections and offer them in a fast food format. The Nankin Express serves chicken, sub gum, and chop suey chow mein; chop suey; sweet and sour pork, chicken, and shrimp; pork fried rice or chicken fried rice; egg foo yung; chicken wings; and stir-fried vegetables with beef.

Prices range from 99 cents for an egg roll to $3.95 for pepper steak.

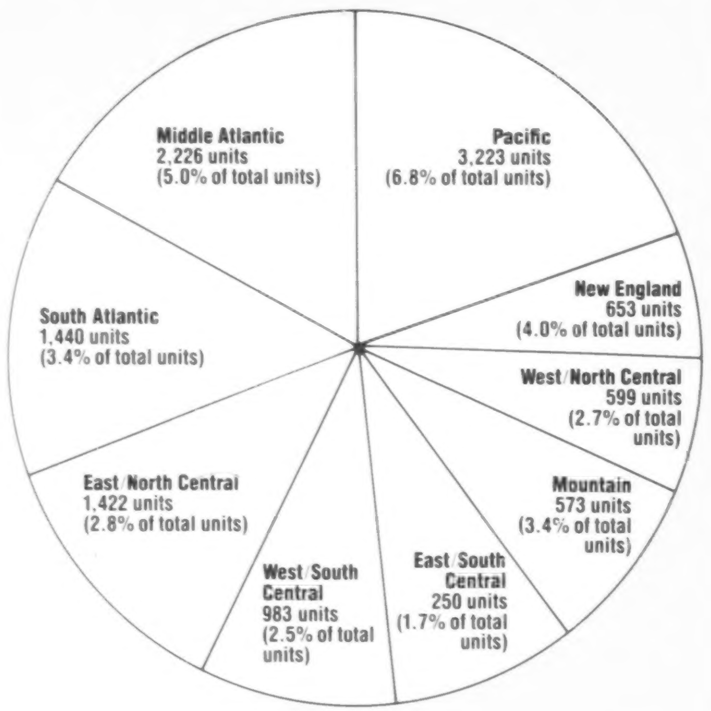
"It's your basic McDonald's type of menu," says Golden. "The customer comes in, views the menu board, and places an order. A drive-through window accounts for about 30 percent of business."

Two Nankin Expresses are now operating in the Twin Cities area, with three more to open by September of '84. Golden projects that at least three more will open soon afterwards. He is looking in Southern California for sites to establish two company stores and then fill out the market with franchised units.

In 1983, one unit and another that

continued on page 160

U.S. Oriental Franchising



11,369 total U.S. units
(3.9% of total U.S. restaurants)
Source: Restaurant Consulting Group

RE-COUNT, Spring 1983

The chef is the star at Benihana's 47 Japanese steak houses nationwide.

opened during the year posted sales of $590,000, with average unit volume approaching $400,000.

Nankin Express has worked with food scientists and food consultants analyzing traditional recipes and substituting ingredients that are easily available in the U.S., as well as developing a training program. The traditional wok is the key piece of equipment in a Nankin kitchen.

The fledgeling chain recently received a big boost when giant International Multifoods, operator of the 950-unit Mr. Donut chain, signed a franchising agreement that gives International Multifoods development rights for the eastern U.S. and Japan. International Multifoods has announced plans to open six units in the Chicago area in 1984. The company has already opened one unit in a food court, but future units will probably be freestanding.

"We saw great opportunity and growth potential for the Nankin Express concept," says Ken Kuhn, division vice president for development at International Multifoods. "Oriental food is healthy food, and with the fast food consumer becoming increasingly conscientious about what he eats, we believe Nankin Express will be an alternative."

Quik Wok, another Chinese fast food chain, operates eight units in San Antonio with another under construction and several Florida leases signed. President Connie Andrews is presently implementing a national franchising plan.

"The whole world is our oyster right now," she says. "We want to be the McDonald's of Oriental food, and that's why we're going into high gear. I have no doubt that others will be doing the same thing I'm doing, and some of them will probably be successful."

Andrews has owned a full-service Chinese restaurant for 12 years, and Quik Wok opened in 1980 in a renovated fried chicken store to handle overflow carry-out sales.

The primarily Cantonese menu includes sweet and sour pork, fried rice, pepper steak, egg rolls, beef chop suey, almond chicken, and lemon chicken, with average check running $4.76. Prices range from 85 cents for an egg roll to $3.75 for pepper steak.

Andrews says her first unit grossed $360,000 the first year, despite the fact that she didn't know what she was doing. She realized she was tapping an entirely new market, and now units average $500,000 a year. The Quik Wok units grossed $2.9 million in 1983.

Andrews agrees with Golden that fast food Chinese restaurants have been rare because everybody perceives Chinese food to be very complicated.

She explains that over many years she has developed standardized recipes and procedures that make it possible for an untrained 17-year-old to step into the kitchen and use the traditional wok to prepare nearly everything.

"People see 'Chinese fast food' and think they are going to get something frozen," she says. "They are very surprised."

continued on page 164

Tokyo Bowl's specialty is a bowl of rice topped with chicken or beef.

Tokyo Bowl
Drive Thru Window
Tokyo
Bowl
Tokyo Bowl
AMERICAN
IMPO

With 14 units operating in Denver, Tokyo Bowl is now planning expansion into other markets.

Gasho of Japan runs four units similar to Benihana's but more elaborate in decor.

Gasho units resemble an authentic 12th century Japanese farmhouse and gardens.

Japanese fast food

Japanese fast food is also becoming popular in the U.S. Denver-based Tokyo Bowl operates 14 units, all in Denver, with expansion plans calling for four new units this year. Almost all units are freestanding, but Tokyo Bowl will be testing a unit in an office building as well as a unit in a strip shopping center.

Tokyo Bowl Restaurant Inc.—in the process of going public—is a new company that took over a two-year-old company called Colevaal Inc., doing business as Tokyo Bowl. The new company closed several existing units, and now unit volume averages $285,000. Total volume in 1983 reached $2.4 million.

Tokyo Bowl's menu is based on six to seven ounces of rice served in a glass bowl and topped with beef, vegetables, or diced chicken, which accounts for 70 percent of sales. Tokyo Bowl also offers chicken teriyaki, beef teriyaki, sweet and sour pork, and ginger pork platters as well as a shrimp roll. The company is adding a noodle base as an alternative to the rice base, as well as brown rice, wild rice, and fried rice in addition to white rice. Prices range from 85 cents for shrimp roll to $3.99 for steak teriyaki.

In almost every city, individual Oriental fast food concepts with names like Rickshaw Express, Chinatown Express, and Tango are opening daily. "I think you'll see a big movement toward Oriental fast food in the next five to 10 years," says Bill Storm, a partner in Tokyo Bowl. "I think Oriental fast food will do what Mexican and pizza fast food did."

Benihana, the Japanese steakhouse chain, also is testing a fast food concept. Teriyaki USA evolved out of a Japanese noodle concept tested about a year ago in home base Miami, but noodles found only limited acceptance in that market. Teriyaki USA offers chicken, beef, and vegetable teriyaki; Japanese dumplings filled with shrimp, crab, or other items; and a teriyaki burger dipped in teriyaki sauce and served with onions.

Trying to combine Oriental sensibilities and techniques with Western methods is Shiczuki Hoffman, who opened Teriyaki of Japan 11 months ago in Tempe, Arizona. Hoffman moved to the U.S. from Japan with her American husband 28 years ago.

Located in a remodeled KFC unit, Teriyaki of Japan is an upscale fast food unit, with counter service and an open kitchen where each dish is prepared to order. Food is served in plastic bowls with chopsticks. Popular items include chicken and beef teriyaki, sukiyaki, tonkatsu (deep fried pork cutlets), and a teriyaki burger served with chips made out of thin cut, deep-fried rice cake. Prices range from $2 to $3.75.

Two Japanese-based chains have long had a small presence in the New York City market and are now expanding as Japanese food becomes popular. They are Dosanko, which serves a menu similar to Tokyo Bowl, with the base being noodles instead of rice; and Genroku Sushi, which serves a varied menu of raw and cooked fish.

Dosanko Foods Inc. operates 15 units in the metropolitan New York City area, with three more to open

continued on page 168

For information circle number 101 →

soon. "In three years, we want to have 50 units," says Dosanko vice president Mac Hidaka. "We will be expanding in the centers of cities including Washington and Philadelphia."

Dosanko serves only 12 items, with prices ranging from $2.85 to $5.50. Stores seat from 70 to 100 people, and 70 percent of sales comes from lunch. Chicken, fried noodles, and dumplings account for 75 percent of sales, with all other entrees making up 25 percent of sales.

The American Dosanko is a franchisee of a 1,200-unit Japanese company. Hidaka notes that chains are not uncommon in Japan, but the market is still open there and a businessman with $1 million to invest will invest it in Japan first. Japanese restaurants in the U.S.—and he says there are 200 in New York City alone—usually can't find the capital for aggressive expansion.

The other Japanese chain, Genroku Sushi, has had one store in Manhattan for 10 years but never expanded beyond that base despite the fact that the chain operates some 200 units in Japan. The reason, says the company's C.C. Kuo, is that 10 years ago the U.S. wasn't ready for sushi despite its high-protein, low-calorie content.

Sushi—very fresh raw fish—is a typical and traditional Japanese food. In larger metropolitan cities on the coast, where supply is not a problem, sushi bars have begun to develop a following among well-heeled, health-conscious, fashionable consumers, and Genroku has two more units under construction as a result. The company is also putting together a franchising program, and is testing a full-service restaurant serving sushi and other Japanese specialties. Called Sakura, the restaurant opened last June and is located in the affluent New York City suburb of Scarsdale.

Upscale Japanese

Many of the new young chefs who are causing such excitement on both coasts are Japanese who combine classical training with a deep love for their own native cuisine.

Combining French and Japanese techniques and ingredients isn't an entirely new phenomenon. As long ago as 1973, New York's La Maison Japonaise was serving a sophisticated mix of either Japanese or French foods. What is new is the melding of the two styles of cooking. At La Petite Chaya, for instance, even the name is mixture. "La Petite," of course, is French. "Chaya" is Japanese for "teahouse."

Classically trained chef Susumu Fukui heads a mostly Japanese staff in turning out such specialties as sashimi of beef with chaya sauce, which is thin peppered beef strips seared to a point just past rawness and served with a frothy dressing of egg whites whipped with mustard and herbs; a puff pastry "pot" filled with scrambled eggs, caviar, crabmeat, and uni (sea urchin roe used almost exclusively in Japanese sushi); and a hot artichoke salad stuffed with salad Russe, bedded on a pool of vinaigrette and garnished with whole crawfish heads stuffed with their own chopped tails. The menu changes every three months.

The Japanese say of themselves that they "eat with their eyes," and presentation is exquisite. The food is the entertainment; decor is sparse, almost austere.

Owner of La Petite Chaya is Yuji Tsunoda, whose family has run a traditional Japanese restaurant called Hikage Chaya near Tokyo for roughly 300 years. Tsunoda opened four restaurants in Japan himself, and plans to repeat the La Petite Chaya concept in various other cities, including New York.

Another Japanese entrepreneur with designs on the U.S. market is Kazuo Wakayama, who introduced East, a new Japanese country restaurant concept with two units in Manhattan. Wakayama also operates 24 restaurants in Japan and two in Singapore under the name of West. He has indicated that he will open yet another restaurant this year in Man-

continued on page 170

NANKIN
EXPRESS

With its recent franchising agreement with Int'l Multifoods, Nankin Express is assured expansion beyond its Twin Cities base.

hattan, then look to the suburbs. Nationwide expansion is the goal.

East recreates the ambience of a Japanese country inn. Customers leave their shoes at the door, then are seated at low tables placed over hollows in the floor and surrounded by seat cushions covered with the typical Japanese dyed cloth called kasuri. Decor is very simple, in the Japanese manner, with burnished wood screens used as partitions.

Specialty of the menu is the traditional Japanese dish called horaku. The name actually refers to a round, lidded earthenware pot in which lobster, clams, beef, salmon, two kinds of mushrooms, and a selection of fresh vegetables are spread on a bed of smooth black pebbles, then gently steamed in an oven. The horaku is then served with a lemony dipping sauce containing "autumn-maple-leaf-snow" for a light aromatic tang.

The interest in authenticity shown by sophisticated California consumers is responsible for the success of a new concept called Goro's Robata in Mill Valley. Owner James Tasley plans to open more units in the near future.

Goro's Robata recalls a centuries-old country cooking technique of fishermen in the north of Japan. "Evenings in coastal villages will find fishermen cooking their catches over open fires in their boats, then sharing among themselves by passing food on oars from boat to boat," says Tasley.

At Goro's Robata, fresh fish likewise is grilled at an open fire tended by a chef dressed in colorful samurai garb. Customers sit either at tables or at a robata bar built around the display grill. Upon the robata bar are displayed fresh vegetables and fish for grilling, and customers make their own selection.

The menu consists mainly of small, appetizer-sized portions, and customers are encouraged to try a variety. One of the most popular appetizers is asparagus wrapped in thin beef, then sliced into bite-sized pieces. Also popular is tube calamari grilled and sliced, as well as barbequed quail, and chicken tatsute (bite-sized, marinated pieces of chicken fried crispy). Some of the more exotic specialites are zosui, a Japanese porridge of rice with shrimp and vegetables; eel liver; and jaws of hamachi yellowtail, prized by the Japanese for their sweet and tender meat. Prices for the appetizers range from $1.50 to $8 for seafood. Average check is about $13.

"People can be as adventuresome as they like," says Tasley. "The fact that portions are appetizer-sized encourages them to try a lot of different things."

The samurai-chef uses an oar to pass a completed order across the robata bar. Care is taken with garnishment. A piece of fish might be garnished with a little mound of ginger, a carrot cut in the shape of a leaf, and grated horseradish.

Upscale Chinese

Chinese cuisine is also growing increasingly fashionable. A Westerner stirred by the excitement of Chinese cuisine is chef Wolfgang Puck, owner of L.A.'s Spago and one of the gurus of the new "California cuisine." Puck's newest venture is the much-talked-about Chinois on Main, also in Los Angeles, which combines elements of Chinese, French, and California cuisines.

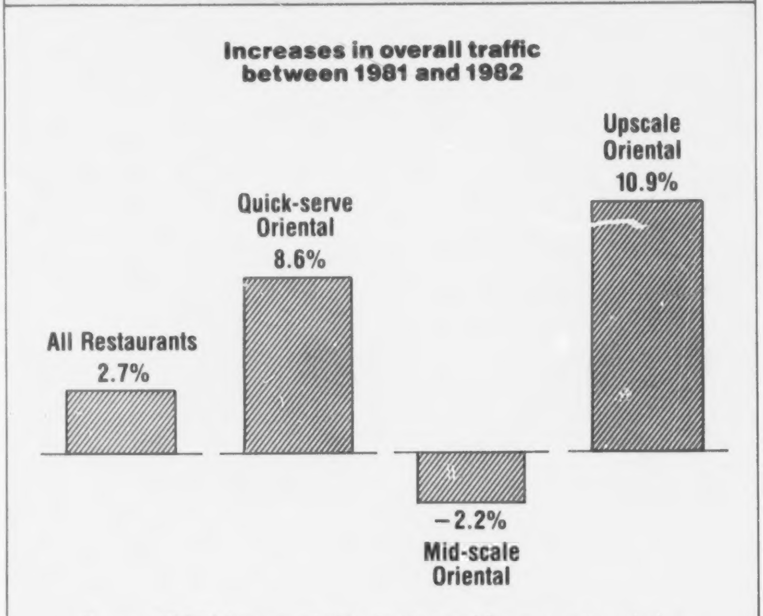
At Chinois on Main, first courses include egg drop sizzling duck soup with shitake mushrooms, tofu, and sesame oil; warm sweet curried oysters with cucumber sauce and salmon pearls; and stir-fried salad of scallops and sweet spinach leaves with five color vegetables. Entrees range from grilled Mongolian lamb with Japanese eggplant and tofu to pigeon and lobster on fried rice with three jewel sauce and stuffed chicken grilled with five willow sauce.

Chinois on Main's decor is a blend of bamboo, brick, Buddhas, and extravagant flower arrangements. Waiters wear black cotton Mao outfits. The spectacular setting features an open kitchen, but the main attraction is probably the well-heeled patrons themselves.

China Rose—a street market for eating and drinking—blends contemporary American atmosphere with Oriental foods. Located in Arlington, Texas, the restaurant's decor suggests a Bennigan's with its

continued on page 172

Oriental Grows in Popularity



Source: CREST data supplied by the National Restaurant Association

LARMEN
Dosanko

Colorful menu display board entices customers to one of 15 Dosanko units in NYC.

Seventy percent of Dosanko sales are generated during New York's lunchtime rush.

collection of posters (in English and in Chinese) banners, lanterns and signs. The Oriental Foods favors Hong Kong and selections range from the traditional egg rolls to Szechwan crispy fried duck.

Complimentary starters of Canton fried noodles and Hunan style sugar and chili peanuts are followed by appetizers such as parchment wrapped chicken and Hunan onion cakes.

A playful newsprint menu covers the restaurant's wide variety of items. Main categories (appetizers, soups, salads, poultry, meat and seafood) are divided into "mild and flavorful" or "hot and spicy" selections. House specialties include Dynasty-style Peking Duck, sweet and sour pork or fish.

An example of a traditional Chinese restauranteur who has made good is Wen-Dah Tai, who owns Uncle Tai's restaurants in both Houston and Dallas. Tai was hailed as one of New York's finest Chinese chefs when he worked at Uncle Tai's Hunan Yuan in Manhattan. Tai, his wife, and four sons moved to Houston in 1978, where he was an immediate success with his own restaurant and achieved some notoriety by introducing jalapeno peppers (similar to a native Chinese pepper) into Hunan cuisine.

Tai still speaks only a few words of English, and despite the glamour and fame of his two restaurants they typify many Oriental restaurants in the U.S. The four sons and their wives are all involved, and Uncle Tai himself spends up to 14 hours a day in the kitchen, where a three-panel screen with candles under it pays homage to the kitchen gods.

Japanese steakhouses

While some Americans are seeking exotic authenticity, Japanese "steak houses" like Benihana of Tokyo and Gasho of Japan continue to expand. Based on an authentic style of Japanese cooking called teppanyaki, or steel-grill cooking, both offer Westernized menus. A Benihana brochure about the Japanese land and people goes so far as to reassure customers that the restaurant serves no raw fish or "slimy questionables."

To please Westerners, the menus of both Benihana and Gasho lean heavily to shrimp, lobster, scallops, chicken, and steak with Japanese sauces, spices, and accompaniments.

Many restaurants from the East Coast to the West Coast have copied Benihana's successful formula of seating eight customers around a communal table whose center surface is a hibachi grill. Japanese chefs prepare meals right at the table with much entertaining flashing of knives and good humor.

Benihana's colorful owner is Rocky Aoki, who has been quoted as saying "In order to have successful life, you have to forget you are Japanese. You got to have American mentality. Things move much faster here than in Japan."

An Olympic wrestler, Aoki saved $10,000 to help open his first four-

continued on page 174

table restaurant by peddling ice cream in Harlem. He slept in the new restaurant's bathroom until the first unit caught on, and today there are 47 units nationwide. Aoki is famous for his exploits in race cars and speed boats, but everything he does seems designed to attract attention to Benihana. Recently, the chain launched a line of frozen Oriental entrees sold in supermarkets nationwide.

Gasho of Japan, with four units (two in the New York City metro area and two in Denver) and another to open soon on Long Island, is similar to Benihana and is owned by Rocky Aoki's brother, Shiro, (though the two companies are not related).

Gasho and Benihana serve similar menus, but Gasho restaurants themselves are much more elaborate. The first, built in Central Valley, New York, is a disassembled 12th-century "gasho" farmhouse from the rugged hills of Japan's Hide province. The farmhouse was painstakingly reconstructed along with elaborate ceremonial and meditation gardens. The Japanese government has declared such farmhouses a national treasure, so future Gashos will be authentic reproductions.

Shiro Aoki has said that part of his aim is to introduce Japanese culture to Americans, and his newest unit on Long Island, built at a cost of $2.9 million, is designed as a center to promote American understanding of Japanese culture, art, and learning.

Aoki has announced plans for further expansion, possibly into 35 new markets. Next locations may be Florida and New York City, where Aoki wants to build a complete Japanese farmhouse inside an old brownstone. That unit would also include a sushi bar serving raw fish.

Because of its Westernized menu, Gasho has found a Sunday brunch very successful. The restaurants also offers such light Western desserts as plum wine mousse and Rainbow's End, a gelatin base with fresh fruit juices and fresh fruit, topped with whipped cream.

Mid-price Oriental

Chinese restaurateurs in the U.S. have been less expansion-minded than Japanese restaurateurs. One Japanese observer says that the Chinese are more tied to traditional ways of thinking and are less eager to learn to plumb the American psyche, which is essential in order to market to Americans on a large scale.

New York's East restaurant recreates the ambience of a Japanese country inn.

Norm Dyer's Phoenix Oriental Cuisine in North Lake, Illinois, is interesting because Dyer is a Westerner involved in an authentic Chinese restaurant run by a Chinese family, rather than a Westerner who became infatuated with Chinese food or sensed profit potential. Since he and his Chinese wife took over, revenues have grown 50 percent a year for the last three years.

"The Chinese properly say that what Chinese restaurateurs lack most is any conception of American marketing and professional management," says Dyer. "Our unit is a grand experiment in merging Western business philosophy with the strong family philosophy of most Oriental restaurants. We are taking a hard look at what American management and marketing have to offer. We're structuring the restaurant like a corporation and defining job roles."

Price range for a menu that includes Thai and Japanese specialties as well as Chinese is from $3 to $13 for everything from egg rolls to lobster and crab.

The restaurant started life as a mid-priced sit-down restaurant, but delivery now accounts for over 50 percent of Phoenix Oriental Cuisine's business. "We're an alternative to pizza," Dyer says. "We deliver to two zones, within a 10-minute radius (at a cost of $1) and within a 20-minute radius (at a cost of $2). We keep three drivers busy, and what we've learned from experience, our next four units will cater and deliver only."

Those four units, all in the Chicago area, will be located in the middle of large industrial parks. Through a zoning loophole, Phoneix Oriental Cuisine is going into the parks as a food processor. The parks normally keep restaurants out, Dyer says.

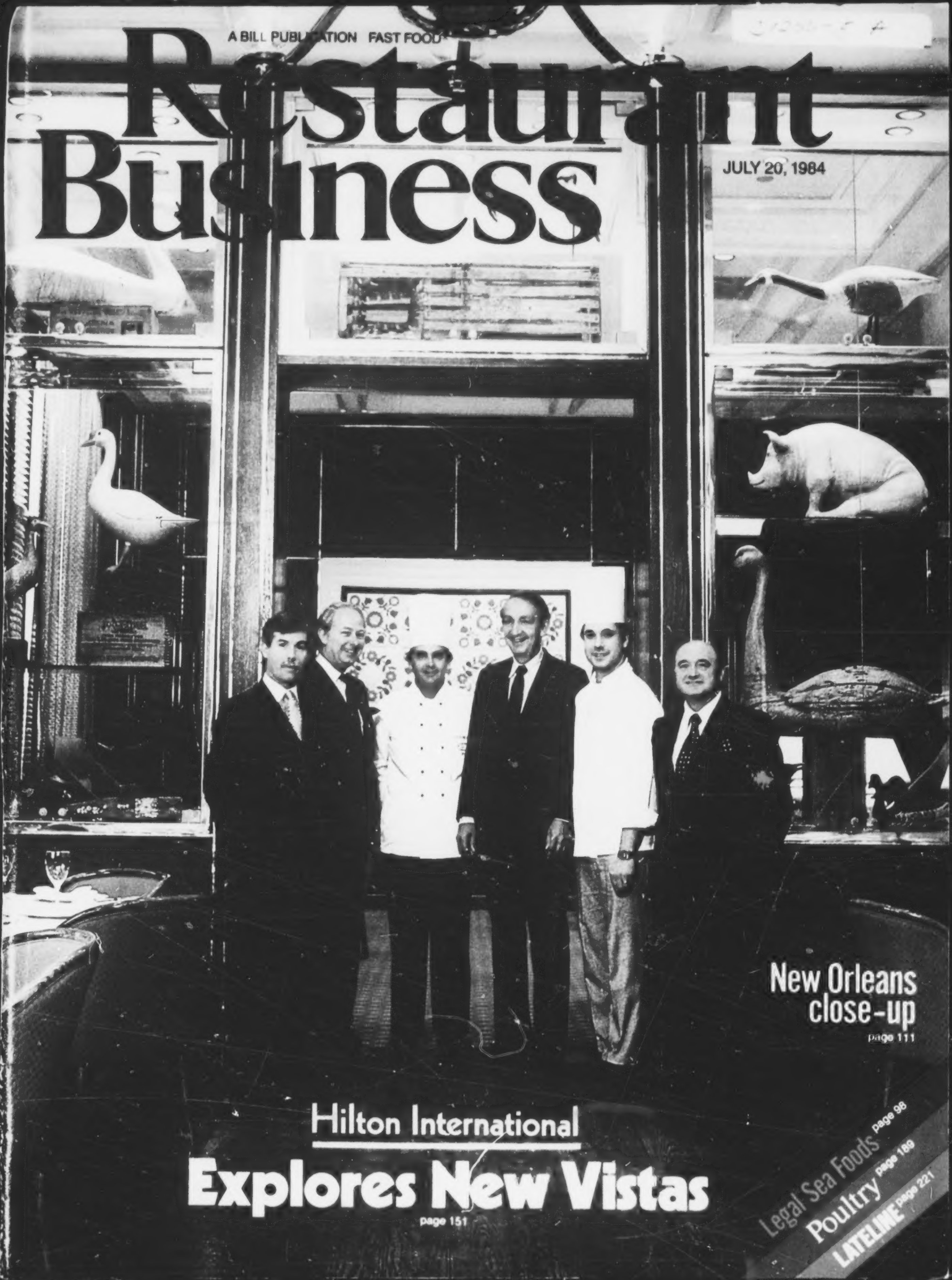
Dyer takes Oriental cuisine seriously, and his wife takes periodic trips to the Far East to study under prominent chefs. "It's seldom realized that you're getting gourmet cooking when you eat Chinese food, when it may take only 45 seconds to prepare the order," he points out.

Coming July 20: Barbecue segment

A BILL PUBLICATION FAST FOOD

Restaurant Business

JULY 20, 1984



New Orleans close-up
page 111

Hilton International
Explores New Vistas
page 151

Legal Sea Foods page 98
Poultry page 189
LATELINE page 221

Restaurant Business

July 20, 1984 VOL. 83 NO. 11

Contents

COVER STOR

Hilton International Explores New Vistas
With a strong emphasis on its foodservice operations, this hotel chain has created a cornucopia of creative cuisines that showcase local specialties throughout 90 properties in 45 countries. Total food and beverage sales contributed over 44 percent ($480 million) to total company revenues 151

MENU IDEAS

A poultry primer
This month, in the *Restaurant Business* Test Kitchen, food editor Kathleen Sanderson demonstrates the versatility of poultry by preparing a variety of dishes using five cooking methods 189

FEATURES

Legal Sea Foods
An extensive menu and unusual service approach have made five family-owned seafood restaurants landmarks in the Boston area 98

A taste of New Orleans
A look at the rich culinary heritage of the "Crescent City" and many of the restaurants popular today 111

Tax credit
Free training and lower taxes are possible through the Job Training Partnership Act (JTPA) 138

Seafood Survey
The results of a recent consumer study conducted by the North Atlantic Seafood Association can be helpful in menu planning 144

DEPARTMENTS

Training Tips 2

RB Insights 12

RB Spotlight: Buffalo 14

Editorial
A new era for hotel dining 20

Publisher's Memo 24

Up Front 28

Menu Planners Guide 52

Calendar 68

Tax Bite
A wonderful new tax animal 74

Executive Profile
John Metz, Custom Mgmt 80

Personal Finance
The world of mutual funds 88

Book Review 93

Restaurant Stirrings 95

Drafts, Carafes & Spirits
Handle with care 169

Bar Management Guide 174

Wine Seller
The profit potential of wine 178

Raising Your Equipment I.Q.
Fryers and filters 182

Design Marketplace 197

Buyer's Circle 198

Sanitation 212

Classifieds 216

Trade Quotes 220

RB Lateline 221

RB Eyes Washington 224

Restaurant Openings 226

Cover photo, by Charles Wieschahn, was shot at the American Harvest restaurant, Vista Hotel, New York City. Left to right are: Roger Davis, Eddy Florijn, Walter Plender, Charles Bell, Alain Roby, and Fred Rufe.

A wonderful new tax animal

by Irving L. Blackman

Make a tax fantasy reality. Give employees a chance to invest in a legitimate tax shelter.

Imagine a wonderful new tax animal that brings financial good will everywhere it goes. Not only that, it divides into clones that continue the cheer-spreading tax word. Sheer fantasy, right? It couldn't happen in the real, tough tax world of the good ol' USA, right? Well, it has. Such a tax animal exists, right now! And its numbers are growing. At this writing, there are only hundreds of them. But soon, there will be thousands. Most people call them "*Section 401(k) plans.*"

These plans are more than a tax scheme. They allow every employer in the country to give every employee an opportunity to invest in a legitimate tax shelter. A tax fantasy truly has become reality.

In a nutshell, a 401 (k) plan allows employees to defer a portion of their salary into a company-qualified profit sharing plan, where it accumulates tax-free until withdrawn. An employee receives an immediate income tax savings equal to the amount contributed to the plan multiplied by his or her highest tax bracket. For example, Joe Smart earns $25,000 per year at Speedy Co., which has established a 401 (k) plan. Under the plan, employees can contribute up to 10 percent of compensation. Joe, who is in a 30 percent bracket, contributes $2,500 to the plan. Joe's taxable earnings from Speedy for the year are $22,500 ($25,000 minus $2,500). His income tax savings is $750 ($2,500 x 30 percent).

Participation in the plan is voluntary. One employee might elect to contribute 10 percent of compensation (like Joe), another five percent, and another zero. The law divides the employees into two groups: The highest paid one-third of the employees make up the "Higher-paid Group" and the other employees make up the "Lower-paid Group." A series of rules determine the amount that the Higher-paid Group can contribute to the plan, depending on how much the Lower-paid Group elects to contribute.

The out-of-pocket cost for plan contributions can be zero to the employer. It is the employee who directs a portion of his salary to the plan. True, the employer makes the payment to the plan on the employee's behalf. But it is the employee's money, which the employer would have paid to the employee if not for the direction to pay the plan instead.

There are a number of advantages to the employee: 1. The limit per individual employee is $30,000 (and a $2,000 contribution to an IRA also can be made). 2. All amounts contributed by the employee, plus all earnings accumulated are irrevocably vested in the employee at all times. 3. A number of investment choices, which can be changed periodically, are available to each employee. 4. The employee can borrow from the plan prior to withdrawal (withdrawal is permitted only for retirement, death, separation from service, hardship, or the employee's attaining age 59½. 5. When the funds are withdrawn, the employee is entitled to a substantial tax break called "Special 10-year averaging," which slashes the amount of tax due.

Chances of IRS audit

The IRS audit game goes on. If you're lucky, you will not be invited to play. What are your chances?

Here's an overview: The IRS audited 1,427,660 individual income tax returns in fiscal 1983 out of the 95.4 million filed for 1982. That's an average of 1.49 percent compared to 1.55 percent for the year before. Whether your return will be subjected to an agent's scrutiny depends on many factors, including how well you get along with Lady Luck. One thing is certain: the higher your income, the better your chances. The IRS has released the breakdown on individual non-business tax returns subjected to examination.

What are the chances of your business being audited? The schedule below shows the chances of a business return to have been audited

continued on page 76

The author, an attorney and a certified public accountant, is senior partner at Blackman, Kallick and Co., Chicago and author of "Winning the Tax Game."

Individuals—(Income without considering loss) *Percent of Returns Examined*	
$10,000 under $25,000 (with itemized deductions)	215
$10,000 under $25,000 (without itemized deductions)	64
$25,000 under $50,000	261
$50,000 and over	493

Non-Corporate Businesses (Based on Income) *Percent of Returns Examined*	
Under $25,000	1.63
$25,000 under $100,000	3.28
$100,000 and over	6.12

Corporation (Based on Assets)	
Under $100,000	1.96
$100,000 under $1 Million (M)	3.45
$1 M under $10 M	9.90
$10 M under $100 M	22.47
$100 M and over	57.83

continued from page 74

in 1983. For example, if your corporation had between $1,000,000 and $10,000,000 in assets, you were just about a one-in-ten shot for hosting an examining agent during 1983.

Estate taxes

Can estate taxes really be eliminated? The answer to this intriguing question is YES—if you know how. Let's take a look at a real case where a tax hero tried but failed. Tetsuo Kurihara (let's call him TK) created an irrevocable (simply means, cannot be changed) trust. On the same day, the trustee applied for $1,000,000 of insurance on TK's life, mentioning a specific policy number. After about a month the policy was issued and TK wrote a check, which had the policy number noted on it, payable to the trustee for the exact amount of the premium. The trustee paid the premium by endorsing the check to the insurance company.

Two months later, TK went to heaven (all tax heroes go to heaven) after being killed in an auto accident. The IRS included the $1,000,000 in TK's estate claiming TK had purchased the policy (not the trusteee) and transferred it to the trust. Under the tax law, such a transfer requires TK to survive for three years in order to keep the $1,000,000 policy proceeds out of his estate. If the trustee had purchased the policy, the $1,000,000 would not be taxable in his estate. The IRS won (Kurihara Estate 82 TC 4-1984).

This is a sad case that at best can be classified as, "Nice try." The most unfortunate part of the story is that what TK failed to do, can easily be accomplished if properly done. Not only can an irrevocable trust be used to avoid estate tax on the life insurance proceeds of the insured (like TK), it can be used a second time to avoid tax on the proceeds at the death of the insured's spouse (like TK's wife).

This estate planning technique is being used often to pass estates on to the surviving family without burdening the estate with any outlay for estate taxes. In a nutshell, here's the estate-tax-free-game plan: 1. Create an irrevocable trust to purchase life insurance equal to the amount of your estimated tax liability; 2. No tax is due no matter which spouse dies first; the trust collects and keeps 100 percent of the proceeds; 3. The proceeds are loaned to the executor to pay the estate taxes due; and 4. The executor pays the loan back to the trust after it liquidates enough estate assets. Ultimately, the trust assets are distributed to the surviving children and grandchildren.

Warning: This article does not attempt to cover all of the details, rules and exceptions. Hire a competent professional.

Nice guys do win

If you make payments when you had no legal obligation to do so, the amount paid is not deductible. And the rule makes sense. Simply put, your payments were voluntary, a gift, and gifts are not deductible.

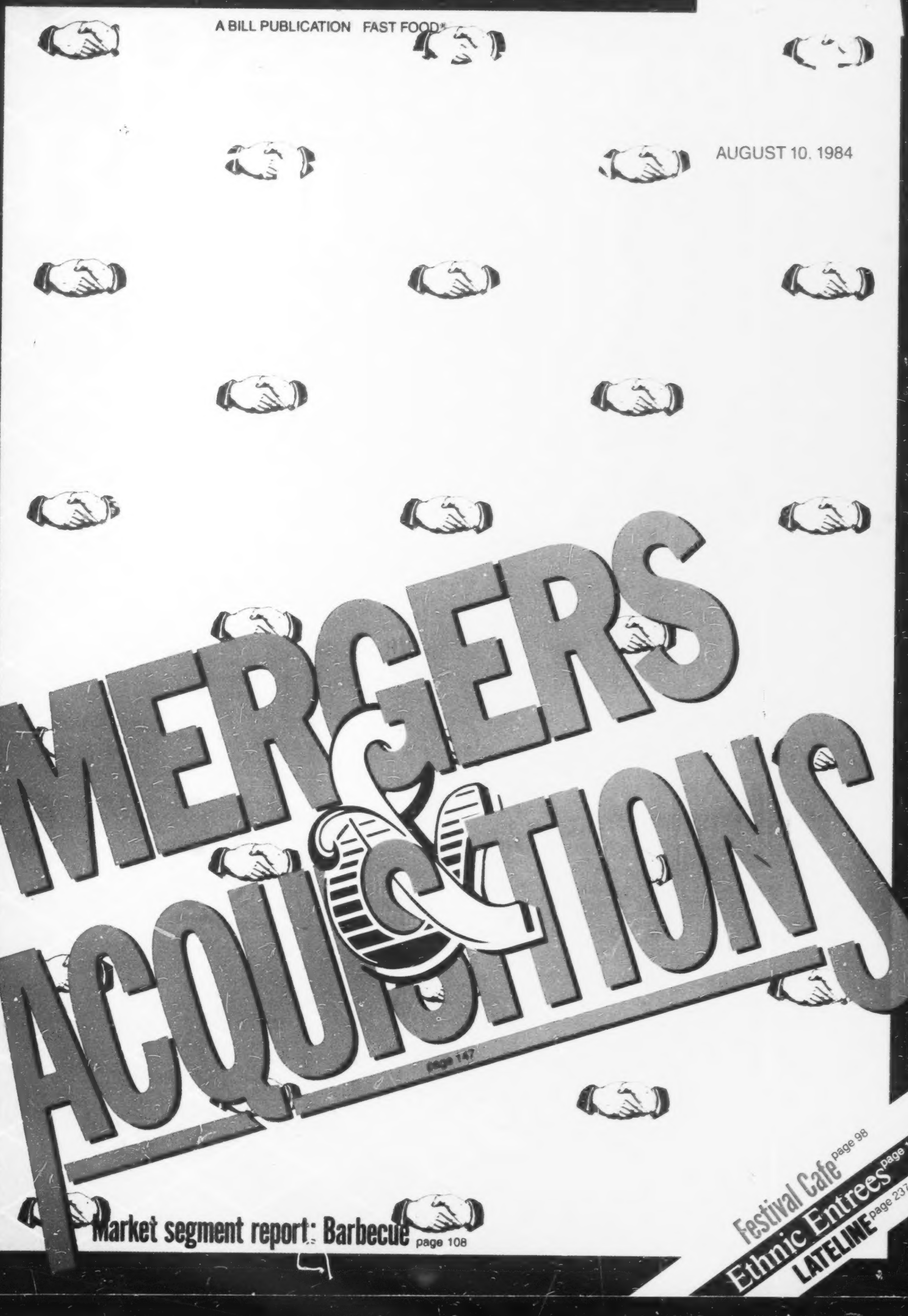
Conway Twitty, the well-known country music singer, beat the rule and the IRS. Here's the delightful tax story. A number of Conway's friends invested in Twitty Burger, Inc., which was a burger franchise corporation. Ultimately the franchise operation went belly-up. Conway's unhappy investor friends were made happy when he fully compensated them for the loss.

Conway deducted the payments. The IRS denied them saying there was no business purpose and that the payments were made out of a sense of moral obligation. Conway claimed the payments were deductible in his business of being a country music performer. For what reason? He paid the investors to protect his personal business reputation. In his business this is essential because country music fans are acutely sensitive to any moral flaw perceived in such entertainers.

The tax court (*Harold L. Jenkins, TC Memo 1983-67*) chewed up the IRS' arguments and allowed Conway a full deduction. See, nice guys do win.

A BILL PUBLICATION FAST FOOD®

AUGUST 10, 1984



MERGERS & ACQUISITIONS

page 147

Market segment report: Barbecue page 108

Festival Cafe page 98

Ethnic Entrees page 197

LATELINE page 237

Restaurant Business
August 10, 1984
VOL. 83 NO. 12

Contents

MERGERS & ACQUISITIONS

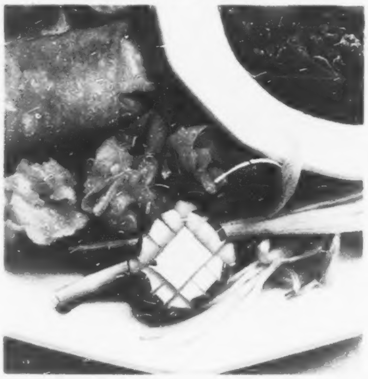
COVER STORY

Mergers & Acquisitions

In this exclusive cover story, the editors of *Restaurant Business* have compiled a select listing of foodservice concerns involved in major mergers and acquisitions since 1979. In addition, we profile four prominent players: Saga, Diversifoods, Vicorp and R. J. Reynolds. Read about how and why these mergers and acquisitions occurred and find out who owns whom 147

MENU IDEAS

Ethnic entrees
If you want to add a foreign flair to your menu, food editor Kathleen Sanderson shows how simple it can be to create variety of international entrees 197



FEATURES

Rockefeller Center
A new complex of restaurants which celebrate American cuisine, and were developed by Restaurant Associates, give the Rockefeller Center promenade a different, modern look 98

Market segment report: Barbecue
Restaurant Business continues its exclusive series with a look at the growth concepts in the barbecue segment 108

Spiaggia
An elegant atmosphere, a Magnificent Mile location, and Northern Italian cuisine combine to form the Levy Organization's newest upscale concept in Chicago. The restaurant serves as a springboard for growth . . . 134

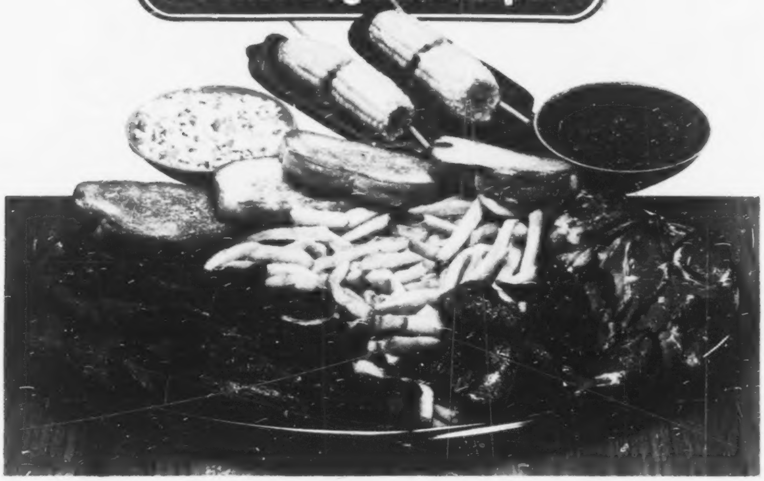
Public Offerings
Dozens of restaurant companies are raising millions of dollars to finance growth 176

DEPARTMENTS

Sanitation Tips 2
RB Insights 12
RGI Spotlight: Oklahoma City . . 14
Editorial
Serving the 'Boutique Generation' 20
Publisher's Memo
Merger Mania 24
Up Front 28
Menu Planners Guide 60
Tax Bite
A tip for closely held businesses . 76
Personal Finance
The year of the 'megamerger' . . . 84
Restaurant Stirrings 92
Trade Quotes 94
Drafts, Carafes & Spirits
Wines by the glass 183
Bar Management Guide 188
Raising Your Equipment I.Q.
Conveyorized broilers 190
Chef's Art
Michael McCarty, Michael's . . . 205
Buyer's Circle
The latest in equipment 208
Management Psychology 220
Training
Big Boy boasts 'family feeling' . 222
Executive Profile
Jim Furry, Grand American Fare 224
Operations Savvy
Public speaking 228
Classifieds 232
Calendar 236
Lateline 237
RB Eyes Washington 240
Restaurant Openings 242

Cover design by Joan Dworkin

Market Segment Report



Enticing platter shows various items offered by Florida-based Fat Boy's Bar-B-Q.

Barbecue: The accent is on regional growth

by Jacque Kochak

Barbecue tastes are as regional as accents.

In Nashville, barbecue is "pulled and dry," flavored with dry spices instead of sauce, then pulled from the bone in long, stringy pieces.

In Memphis, natives like barbecue "chopped and wet," rich with sauce.

Some areas swear by pork, while points west of the Mississippi, especially Texas, say barbecue had better be beef—preferably brisket. If Texans eat pork, they like spareribs. Floridians eat beef barbecue, too, but theirs is top or bottom round. Their pork barbecue is usually back ribs.

Northerners, devoid of their own tradition, are likely to embrace any style that comes along, and some Yankees think that spareribs cooked in the oven with store-bought sauce for an hour are "barbecued."

Whatever the taste preference, barbecue is riding a new wave of popularity. Today, the "barbecue" segment breaks out into three parts. There are the traditional barbecue restaurants, stereotyped as roadhouses on Southern back highways; there are their upscale California cousins; and there are the rib houses. The rib houses first began expanding several years ago and have proven to have staying power. Now the mid-price barbecue houses are expanding and upgrading.

The very regionality of barbecue tastes has been a factor in slowing expansion of the traditional barbecue houses. "We have looked at barbecue as a possibility for our company, but the regionalism discouraged us," admits Dave McKenzie, a spokesman for Southern Hospitality, which operates a variety of concepts in the South.

Nevertheless, the popularity of Southern barbecue is an irresistable lure to profit-minded businessmen. Barbecue is so popular that the Hickory Log in Dexter, Missouri, lets helicopters land in the back so executives can ferry ribs back home to Memphis, and folks start lining up by 3 a.m. at Whitt's Barbecue in Athens, Alabama, on July 4th.

Barbecue restaurants are now proliferating in New York City, and in San Francisco Hog Heaven is teaching devotees of California cuisine about Memphis barbecued pork shoulder. Diversifoods is plotting rapid expansion of its Luther's chain, Clorox has acquired Emil Villa's Original Hick'ry Pit, and Far West Services, a subsidiary of giant W.R. Grace, last year acquired a small California-based company, Mor Food 'n Fun, and is expanding its popular R.J.'s the Rib Joint. Several low-profile regional chains are preparing for eventual national expansion, and other smaller chains like Georgia's Hickory Houses and Kansas City's Gates & Sons flourish.

Nevertheless, barbecue is still a rarity in some parts of the country. There are only 5,203 barbecue restaurants in the entire U.S., a mere 1.8 percent of total restaurants, according to the most recent RECOUNT study. Of those, more than a third (1,874 restaurants, or 4.7 percent of total restaurants in the country) are located in the West/South Central region. Almost one fourth (1,071 restaurants, or 2.5 percent of total restaurants) are located in the

continued on page 110

Barbecue *continued from page 108*

South Atlantic region.

"I feel like we're about where Mexican food was three years ago," says Jay Bradley, executive vice president of Florida-based Fat Boy's Bar-B-Q.

That optimism is echoed by operators around the country. All agree that barbecue is popular, though the degree of "trendiness" varies from city to city. In the South, barbecue is king; the only debate is which variety is best. In New York City, rib restaurants are opening everywhere, but in Chicago, executives are rather ho-hum about the subject. Barbecued ribs have a loyal following there, but they're not as "fashionable" as in New York. On the West Coast, a few barbecue and rib restaurants have carved out niches for themselves, but they consider themselves outposts.

Paul Rimmeir, owner of Rib-It, a five unit Philadelphia-based chain poised for growth.

Barbecue restaurants

The moderately priced, family-oriented traditional barbecue segment is dominated by independents, but Diversifoods' Luther's is establishing a strong presence. Luther's was a small Houston chain when ac-

continued on page 114

BARBECUE GROWTH CONCEPTS

Name	1983 Sales	No. of Units (as of mid-1984)	Avg. Unit Volume	Outlook
Luther's	$67 million*	56	$1.3 million	Plans to open 90 units in 1984, most in the second half of the year. Could have 255 units by end of '85.
Tony Roma's	$60 million	37	$2 million	Plans to open approximately 24 units in '84, but is keeping quiet about locations.
Sonny's Bar-B-Q	$58 million	58	$950,000	Planning to expand outside Florida base, mainly in the Southeast.
Fat Boy's Bar-B-Q	$22.5 million	49	$600,000	Expects to open 25 new units next year, all franchised. Much of growth will be a new fast-food prototype.
Bobby Rubino's	$47 million*	24	$2 million	Projects 20 to 25 units in the next three years. Franchising will account for 70 percent of growth.
Emil Villas' Original Hick'ry Pit	$15 million	11	$1.6 million	Recently acquired by Clorox. Expansion plans on hold while concept is refined.
Carson's	$15 million	5	$3 million	No expansion at present, but extremely popular in the Chicago market.
Gabby's Barbecue	$10 million	12	$900,000	Five units opening this year in home market of Texas.
MacArthur Park	$9 million	3	$3 million	Owner Spectrum Foods plans slow expansion of one or two units a year.
Jilly's	$7.5 million	6	$2 million	One unit under construction, two scheduled to open, eventual penetration of Washington, D.C.
R.J.'s the Rib Joint	$7.5 million	2	$4 million	Parent company recently acquired by Far West Services. Expansion likely, but plans not firm.

**Estimated by Restaurant Business*

quired by Diversifoods, which refined menu, preparation, decor, and operations, and began expanding in 1981.

There are now 46 company-owned and franchised Luther's, primarily in the South. Plans call for 90 openings in 1984, most in the latter half of the year.

At Luther's, customers walk through a cafeteria-style service line where meat dishes are prepared as they watch. In addition to barbecued beef and chicken, the restaurants offer hamburgers, baked potatoes, french fries, onion rings, baked beans, and dessert. Average check runs about $4.

Luther's serves a Texas-style barbecue, and has come up head-to-head against the problem of regional preferences.

Units average $1.3 million in annual sales, a fact that has inspired other restaurateurs to imitate the concept. One very similar concept is Kansas City-based Chap's, owned by former Rax Roast Beef franchisee Bob Gontram.

Emil Villa's Original Hick'ry Pit (in business since 1928) is Clorox's entry into foodservice. The company now operates 11 units, nine in the San Francisco Bay area and two in Seattle. Expansion plans are on hold while the concept is refined, says general manager Mike Kwiatkowski.

Chicken, ribs, sirloin of beef, turkey, and pork loins are cooked over a hardwood fire in a display pit. Kwiatkowski explains that Emil Villa's process is more similar to backyard barbecue than to Southern slow smoking. The grilling gives the meats a very light smoked flavor, and customers add barbecue sauce to taste.

The restaurants also serve 20 varieties of pies baked fresh daily, fresh-baked Danish pastries, and specialties such as crab sandwiches and sourdough bread. Emphasis is on quality says Kwiatkowski; hamburger and sausage are ground on-premise, dressings are made from scratch, and french fries are cut fresh. Price range is from $2.85 for a full breakfast to $10 for a steak, with an average check of $4.50 at lunch and $7 at dinner. Unit sales volumes of from $1.7 to $1.9 million are not uncommon, says Kwiatkowski.

A more typical Southern barbecue concept planning expansion is Sonny's Bar-B-Q, based in Gainesville, Florida. Sonny's posted sales of $58 million in 1983, with average unit volumes of $950,000 for 58 units, 55 which are franchised. Units are clustered in Florida, with some located in other Southeast areas.

Like Luther's, Sonny's has also run into the problem of regional preferences. Owner Sonny Tillman gave the go-ahead for a franchisee to try to make barbecue according to local tastes, but the attempt backfired and the units closed. Sonny's now sticks to the style the cooks know best, whatever regional preferences may be.

One of Sonny's chief competitors in Florida is Fat Boy's Bar-B-Q, also gearing up for expansion in the Southeast. The company, based in Cocoa, now has 39 franchised units and 10 company-owned stores with sales of $22.5 million, according to Bradley. The average unit grosses between $600,000 and $750,000. Some units gross in excess of $1 million, he adds.

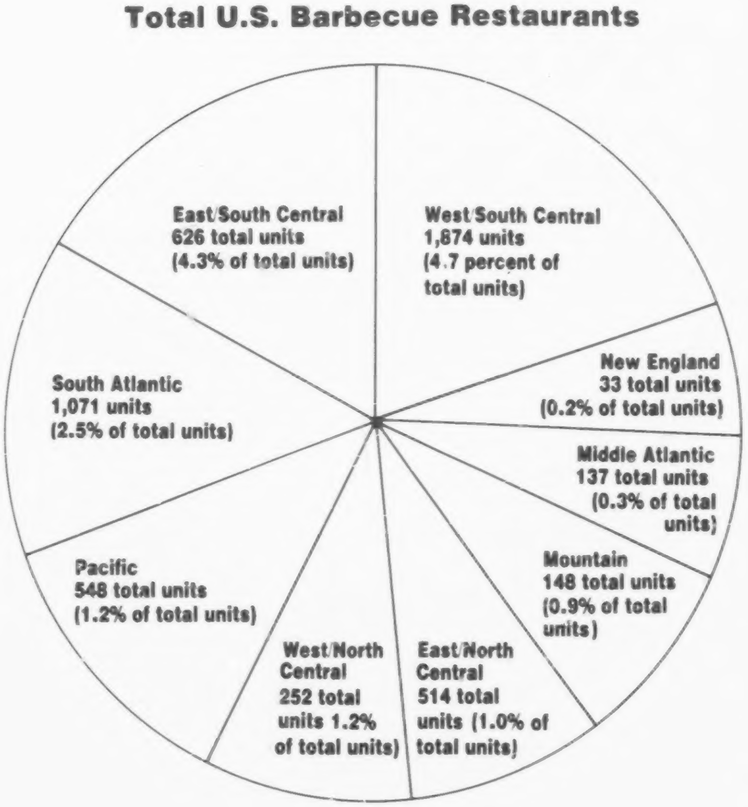
Fat Boy is adding only four units in 1984 because of reorganization in preparation for major expansion. Plans in 1985 call for 25 new units, all franchised.

An important part of Fat Boy's growth will be from a new fast-food, drive-through prototype unit seating only 64, compared to full-sized units

continued on page 118

SONNY
Sonny's
REAL PIT
BAR-B-Q
BBQ AT ITS BEST
AND
SUPER 40 ITEM
SALAD BAR
Sonny's
ENTER

Gainesville, Fla.-based Sonny's Bar-B-Q hopes to expand into other areas of the Southeast.



5,203 total U.S. units
(1.8 percent of total U.S. restaurants)
Source: Restaurant Consulting Group
RE-COUNT, Spring 1983

with a 167-seat average and 70 optional banquet seats.

Full-sized units cost between $650,000 and $750,000 to construct and equip, says Bradley. As a result, they must be located in metropolitan areas to insure adequate return on investment. Smaller units will cost between $340,000 and $480,000, and will allow Fat Boy to penetrate smaller urban markets.

Menu prices at small and full-sized units will be comparable, adds Bradley, with an average check of $3.70 at lunch and $4.96 at dinner.

Another regional chain with plans for expansion is Houston-based Gabby's, a wholly owned subsidiary of Restaurant Developers, Inc., which also owns Spanky's Pizza.

The company operates 10 company-owned units in Houston, and one franchised unit each in San Antonio and Albuquerque. Three more franchised units will open this year in San Antonio, Austin, and Albuquerque, and two more company-owned units in Houston.

"When we opened Gabby's in 1978, we felt there was a need for barbecue served in more upscale surroundings," says Gabby's president Frank Roche. "We also were aware that there were no major chains to compete against us in barbecue, unlike in pizza."

Gabby's service is cafeteria style, with average check running $5. The typical unit seats 175 people, with average annual sales of $900,000.

Roche points out that Houston has over 150 "mom and pop" barbecue restaurants offering varying degrees of product and price. "I think that as the market becomes more sophisticated, you'll see some of these places having a hard time," he says.

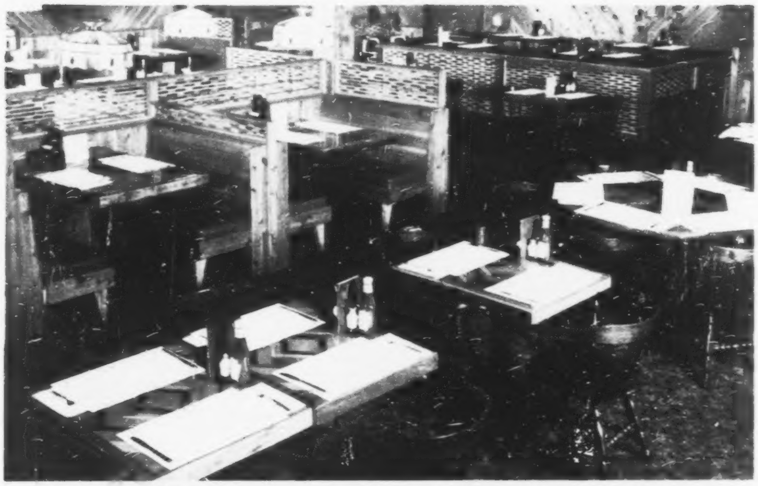
The image of these barbecue independents is generally of restaurants which feature uninspired decor but serve up mouthwatering barbecue cooked by the owner in a pit behind the restaurant. This image is epitomized by Kansas City's Arthur Bryant's.

Arthur Bryant's is situated in an inner-city location that is predomi-

continued on page 122

Spectrum Foods operates three McArthur Park restaurants in California.

Barbecue *continued from page 118*



An aggressive franchising program will add 25 Bobby Rubino's in three years.

Diversifoods plans to add 90 Luther's, primarily in the South, by year-end.

nantly black. The linoleum floor runs downhill, tables don't match, and walls need fresh paint. But none of that keeps businessmen, students, travelers, and even ex-President Jimmy Carter from standing in a very long line for very large portions of sliced beef and pork or ribs, served with tangy sauce and cold beer.

What is happening to Arthur Bryant's, however, may be a harbinger of the future of barbecue. When owner Bryant died recently, several Kansas City businessmen purchased the restaurant and are now developing franchising plans. Spokesmen for the company, headed by LeRoy Bailey, say that it is too early to divulge details.

Many independents in the Barbecue Belt don't fit the stereotype, however. Restaurants like Bodacious in Longview, Texas, Loeb's and Coleman's in Memphis, Texas State Line in Atlanta, and the Hickory Log in Dexter, Missouri, boast annual revenues that would make a chain operator envious.

The Hickory Log, for instance, grosses about $1 million annually in a 400-seat unit, in a town of only 7,000 people. Customers drive from Arkansas, Illinois, and Tennessee. Many make the 150-mile trek from St. Louis. Others fly in to take loads of ribs home.

The Hickory Log, owned by John and Anita Banken, built its reputation on selections like barbecued baby back rib dinners for $5.95, barbecued sirloin of beef for $6.25, and sliced barbecued pork shoulder for a reasonable $3.95.

Five pits fire up at 7 a.m. every morning, and five men work shifts through the day cooking meat coated with a dry spice mixture. Ribs slow-roast for three hours in the pit and are always served fresh from the fire. Sauce is served at the table.

Gourmet barbecue

California's R.J.'s the Rib Joint, Hog Heaven, and MacArthur Park are a far cry from the South's barbecue barns. They might be called "gourmet" barbecue. Though the barbecue product itself is typically deep pit smoked, surroundings are definitely upscale.

R.J.'s the Rib Joint serves a full menu of barbecued beef and pork ribs, barbecued chicken, barbecued pork chops, barbecued veal, and even barbecued duck. Founder Bob Morris likes to call R.J.'s "The Cadillac of the market," and an average check of $15.50 without liquor lends substance to that claim.

The two R.J.'s, located in Beverly Hills and Newport Beach, CA, are part of Morris' company, called Mor' Food 'n Fun, acquired a year ago by W.R. Grace. Morris says he believes that a new franchising deal between W.R. Grace and New York's Riese Organization will include two or three R.J.'s in New York City.

R.J.'s smokes its meat in a deep pit with a blend of orange, oak, apple, and alder wood, along with some hickory and mesquite. The restaurant offers champagne and macadamia nut sauces as well as barbecue sauce. Entrees, ranging in price from $9.95 to $15.95, come with an elaborate 70-item salad bar.

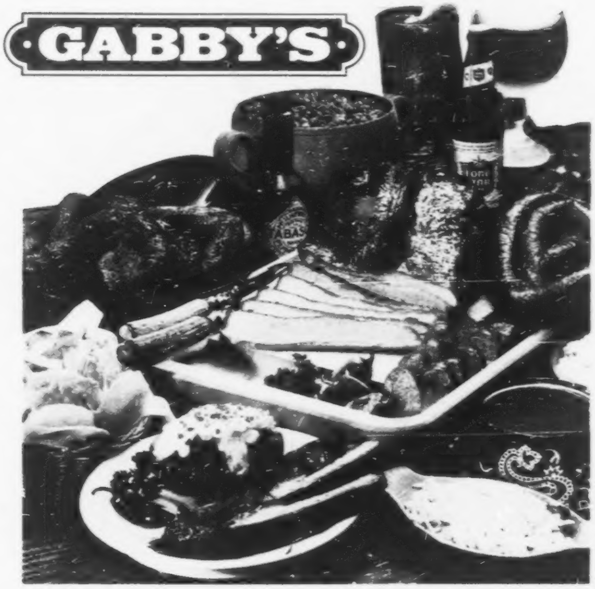
Entertainment, plus made-on-premise ice cream, fresh-squeezed orange juice, and 12-in.-high cakes, have contributed to annual revenues of $3 million at one unit and $4.5 million at the other, says Morris.

San Francisco's two Hog Heavens—one across from Golden Gate Park and one in the financial district—are the brainchild of Andrea Martin, originally from Memphis.

Each morning at 7 a.m., Hog

continued on page 126

Barbecue *continued from page 122*



Houston-based Gabby's offers cafeteria service with an average check of $5.

Heaven's cooks begin stoking the hickory and mesquite wood fire. Pork shoulder, a specialty of the house shredded for a Memphis sandwich or piled in mounds for a platter, is cooked for nearly 10 hours.

Side dishes include cole slaw, cornbread, barbecued beans, deep-fried potato slices, onion rings, and such desserts as black bottom, key lime and pecan pies. Price range is from $4.50 for a Memphis sandwich to $11 for a plate of barbecued shoulder, sausage, chicken, ribs, slaw, beans, and cornbread.

The first 70-seat unit, opened in July of 1980, grossed $1 million its first year. Now Martin plans to open units in Portland and Seattle, and then across the northern U.S. to the East Coast.

Despite the "down-home" cooking, the restaurant's ambience is upscale. Just inside the black canopied facade is a long bar festooned with original "pork-traits" showing pigs in historic poses: Napoleon Bonapork, Porkahontas, Louis the Porkteenth, Pignic in the Grass, and Attila the Hog.

Another upscale barbecue concept is MacArthur Park, which opened in San Francisco in 1972. A second opened in Palo Alto in 1981, and a third this year in Huntington Beach. The restaurants are owned by Spectrum Foods, which also owns Prego, Ciao, Chianti, and Harry's Bar & American Grill in San Francisco and Los Angeles areas.

Like other Spectrum restaurants, the three 200-seat MacArthur Parks specialize in "California cuisine," such as cold smoked albacore and salmon, fresh Petaluma duck, rabbit, Maine lobster, and Eastern dry-aged steaks. More than 50 percent of sales come from back ribs, chicken, sausage, pork chops, and duck basted and smoked in MacArthur Park's own specially designed oak wood smoker, then broiled quickly over mesquite.

Price for a rib dinner, served with cole slaw and french fries, is $12.

President Larry Mindel calls MacArthur Park "the proverbial turtle in the race with other rib places," because the company plans to open only one or two units each year. Each MacArthur Park posts sales in excess of $3 million a year.

Rib restaurants

Restaurants specializing almost exclusively in ribs tend to occupy a niche below an upscale dinner house but above most of the expanding family-priced barbecue chains. They are casual, often provide entertainment, do a thriving liquor business and appeal to a broad base of families and singles.

Barbecue purists sniff at some of these concepts, which sometimes rely on sauce alone for flavor instead of opting for a long smoking process. Others use a more traditional method, but most are quite secretive about their cooking processes. A great many specialize in baby back ribs, cut from the back portion of the lowest seven ribs on a pork slab.

The acknowledged leader of the segment, and the company that spawned a host of imitators, is Tony Roma's—A Place for Ribs. The company operates 37 units, 20 of them company-owned and joint-ventured, from Hawaii to Florida. The company has even taken ribs international with units in Canada, Japan, and the Bahamas.

John Knight, vice president of marketing, says that Tony Roma's owner, wealthy Texas businessman Clint Murchison, sees plenty of growth potential in the ribs segment. As a result, the company is positioned for aggressive expansion.

"Over the past three months we've opened six new restaurants, and we would like to maintain that pace," says Knight.

Tony Roma's widely-copied format—a limited menu specializing in baby back ribs at $9.95 a portion, served fast and friendly—resulted in 1983 systemwide sales of some $60 million. Average store volume runs $2 million, says Knight.

Knight professes to be unconcerned about the many competitors who frankly admit their concepts are copied after Roma's. "Nobody has been able to significantly affect our performance to date," he says. "However, we do keep a close watch on our direct competition. No doubt in the future they will become a greater concern."

Typical of these competitors is Bobby Rubino's Place for Ribs, with 16 units seating between 225 and 250. Nine are located in Florida, three in New Jersey, two in Pennsylvania, and two in Canada. The company recently signed an agreement for 13 stores in Chicago in the next seven years, with the first store opening in September in Woodmont. Agreements have also been

continued on page 130

signed for development of the Atlanta and Savannah markets, says Jerry Moniz, director of operations for franchising.

"We project another 20 to 25 units in the next three years, with 70 percent of that growth through franchising," adds Moniz.

Bobby Rubino's menu price range is from \$3.95 to \$15.95 for a prime rib or a "Steel City" 2½ lb. rack of ribs. Sixty percent of food sales derive from ribs, says Moniz, but he will not divulge average unit volume or total company sales.

Jilly's, another Roma lookalike, dominates the Atlanta ribs market with three units and another under construction. Units are also located in San Antonio; Atlantic City; and Columbus, Georgia. Ken Eppard, director of operations, predicts slow expansion, with an additional two company-owned units opening soon and eventual expansion into the Washington, D.C., market.

In response to higher pork prices, Jilly's has expanded its menu by adding lamb ribs, which presently account for about 15 percent of sales.

Total company sales in 1983 were \$7.5 million, with the two Atlanta Jilly's always averaging more than \$2 million apiece, says Eppard. Average check is about \$11.

Oh! Brian's operates units in Charlotte, Greensboro, Winston-Salem, Raleigh, Durham, and Fayetteville, North Carolina; Chattanooga, Tennessee; and Roanoke, Virginia. The restaurant chain is a subsidiary of Investment Management Corp., a holding company that also owns Golden Corral Family Steakhouses, Sirloin Stockades, Fred Gang's dinner houses, and Nicho's Mexican fast food units.

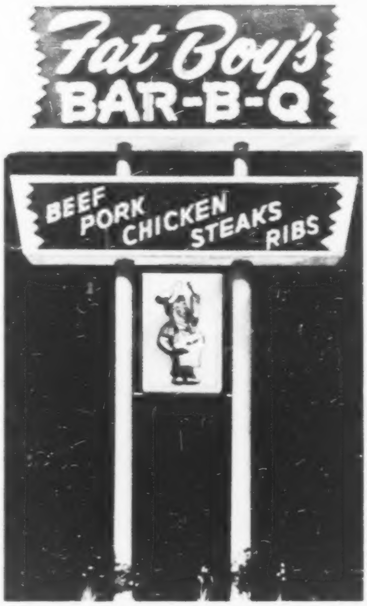
Like Tony Roma's and the others, Oh! Brian's specializes in baby back ribs with an average check, with liquor, of about \$10. Average unit volume is \$1 million, Sink says.

The granddaddy of rib restaurants in the Chicago market is Carson's, The Place for Ribs, which operates five units in the Windy City's metro area. The company currently has no plans for further expansion, says Donna Giannis, corporate secretary.

Carson's offers a full 1½ lb. to 1¾ lb. slab of baby back ribs for \$12.95, and 85 percent of customers order ribs, Giannis says. Carson's also sells some 9,000 carry-out orders a week, at \$1 off the menu price.

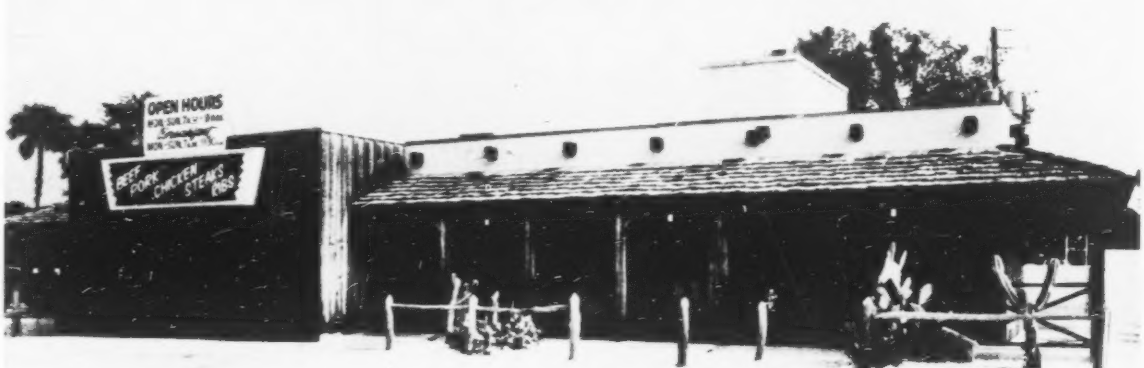
Carson's units vary in seating from 120 to 190. The atmosphere is slightly more formal than at a Tony Roma's, with white tablecloths and linen, but the feeling is anything but stiff. The combination works: the chain posted sales of \$15 million in 1983.

A small chain positioning itself for growth is Philadelphia-based Rib-It, with five company-owned units in Philadelphia, Atlantic City, Washington, D.C., and Cherry Hill, N.J., and a new franchise unit in Manhattan. Sales in 1983 were \$5 million on five units. Owner Paul Rimmeir projects that the chain will have about 30 company-owned units and 40 franchised units in five years.



Fat Boy's is planning a new fast food drive-through prototype.

Rib-It serves large portions in an atmosphere of natural wood, stained glass, and mirrors. In addition to barbecued baby back ribs, barbecued chicken, barbecued spare ribs, and barbecued veal ribs, the restaurants serve sandwiches, baked Cornish hen, fried clams, fish and chips, fried shrimp, and a marinated flank steak. A plate of barbecued baby back ribs with steak fries and cole slaw is \$6.95, even in the Manhattan unit. The highest price is \$12.95 for a rack of barbecued veal ribs. □



With minimal expansion this year, a reorganization plan will enable Fat Boy's to add 25 units in 1985.

Restaurant Business Cover Story

MERGERS & ACQUISITIONS

Growth through acquisition may be the key to expansion in the foodservice industry today. On the following pages, *Restaurant Business* profiles four of the prominent players in the mergers and acquisitions market: Saga, Diversifoods, Vicorp and R.J. Reynolds. In each case study it becomes clear that no two companies are alike in their goals or strategies. However, these companies share a determination to expand in order to assure a secure future for the company, its managers and stockholders. A select listing of foodservice concerns involved in merger and acquisition activity follows the profiles. The list spans February, 1979 through June, 1984.

← For information circle number 87

RON'S
KRISPY FRIED CHICKEN
'FLAVORED TO THE BONE'

By acquiring Ron's Krispy, Church's made its first move into the higher check average chicken segment.

Acquisition activity in the foodservice industry has changed since *Restaurant Business* took its last look at the "corporate mating game" six years ago. Times have changed, the industry has matured, and the reasons behind two companies joining hands via an acquisition or merger have become more complex. The buying boom of top segment performers by non-foodservice concerns—à la PepsiCo's acquisitions of both Pizza Hut and Taco Bell just three months apart in the 1970s, or even Pillsbury's move on Burger King in the late 60s—has slowed in recent years, just as surely as the industry's wild growth of last decade has cooled.

Not that the 1980s are an inopportune time for such transactions. On the contrary, the economic and political climate under President Reagan is very favorable toward merger and acquisition activity. Many companies are taking advantage of this administration's pro-industry tax and antitrust policies. In the past year, interest rates too have been more conducive to leveraging acquisitions. In the first quarter of this year alone, the number of "business combinations" rose 31 percent to 710 from 540 a year earlier, according to W.T. Grimm & Co., a consulting firm.

A chart appears on page 169 which lists many of the key mergers and acquisitions in the foodservice industry over the past five years. Last year shows a marked increase in activity, supporting data which claims that merger activity is on the rise. A total of 17 chart entries took place in 1983, slightly more than 50 percent of total entries.

Among some of these are Kelly-Johnston Enterprises' acquisition of Duff's, the smorgasbord chain, for $18 million in cash and stock; W.R. Grace & Co.'s purchase of the smaller concerns, T.J. Applebee's and Mor Food 'n Fun for an undisclosed amount; the $308 million merger of Chart House and Godfather's Pizza and others. Church's also acquired Ron's Krispy last year for $7.5 million; Denny's moved to snatch El Pollo Loco for $11.3 million; and Saga grabbed up Grandy's for $66 million and Spoons for $3 million. Of the select group covered in the *Restaurant Business* chart which records the value of their transactions, total reported transactions for 1983 alone were valued at $573.8 million.

However, these are not the days of giants buying other giants where the foodservice industry is concerned, or of non-related conglomerates buying into the business in a big way. Rather, these are the days of foodservice companies buying other foodservice companies, and of diversification in one's own industry. These are the days of larger, more established restaurant companies taking over smaller growth companies which have the desire—but not the capital—to grow; the days of buying out the competition rather than fighting with it; the days of buying into a new geographic area rather than building it; and the days when maturing franchisors may opt to buy out franchisees so that their own assets are improved by adding prime sites at a lower cost.

If the 80s stand for only one thing in the restaurant industry, it is the struggle to expand in an increasingly competitive and difficult marketplace. And many participants—both on the buying and selling side—have decided that combining forces with another company is the surest and quickest road to growth.

Signs of a change

Last year's merger of Chart House and Godfather's Pizza was a sign that the market still has some surprises up its sleeve, and that larger merger activity in the industry is returning. But to a greater extent there are precious few transactions of that size occurring today.

According to Michael Culp, industry analyst with Prudential-Bache Securities, the reasons for this hiatus are three-fold. "Both the recession and interest rates made it difficult for companies to consider large transactions," says Culp. "But another reason for caution on the industry's part had its roots in the PepsiCo/Pizza Hut and Taco Bell deals. Pepsi had problems digesting both companies and it is generally held that when Pizza Hut joined up its per share earnings had already peaked. Pepsi's experience soured the market for making 'The Big Deal' as a result."

However, Culp suspects there will be a rise in takeovers—large and small. "I think we're in the early stages of a new boom in takeover activity," says the analyst. "Many established chains are selling at depressed prices that are well below their replacement value. Those values should not be measured by real estate prices. Name recognition, market position, and management experience are just as important. Moreover, because stocks have been depressed, an unfriendly takeover becomes more likely; management wouldn't want to voluntarily sell out for less than the company is worth."

Guessing what some takeover targets might be, many analysts point to Church's, which has for some time been the subject of speculation—both knowledgeable and otherwise. With a shakeup in management last year, and a lengthy process of replacing top officers the fried chicken chain is viewed as a prime candidate for takeover. Wall Street insiders say that on at least one occasion a deal was about to be locked up when it hit a snag.

"Ralston-Purina and Church's were just completing negotiations for an acquisition when Church's stock went crazy," says one Wall Street analyst. "It was all set, but the stock's rising price made the suitor back off."

Other speculation on Church's being on the selling block leads to Hardee's. According to company insiders, Church's newly elected president, Rick Sherman, became familiar with the company and its chairman J. David Bamberger while the hamburger chain, thinking of diversifying, was negotiating for a takeover. The deal never materialized, and some time later Bamberger hired Sherman—then right hand man to Hardee's chief Jack Laughery—to head up the chicken chain. But speculation still abounds.

A more disciplined approach

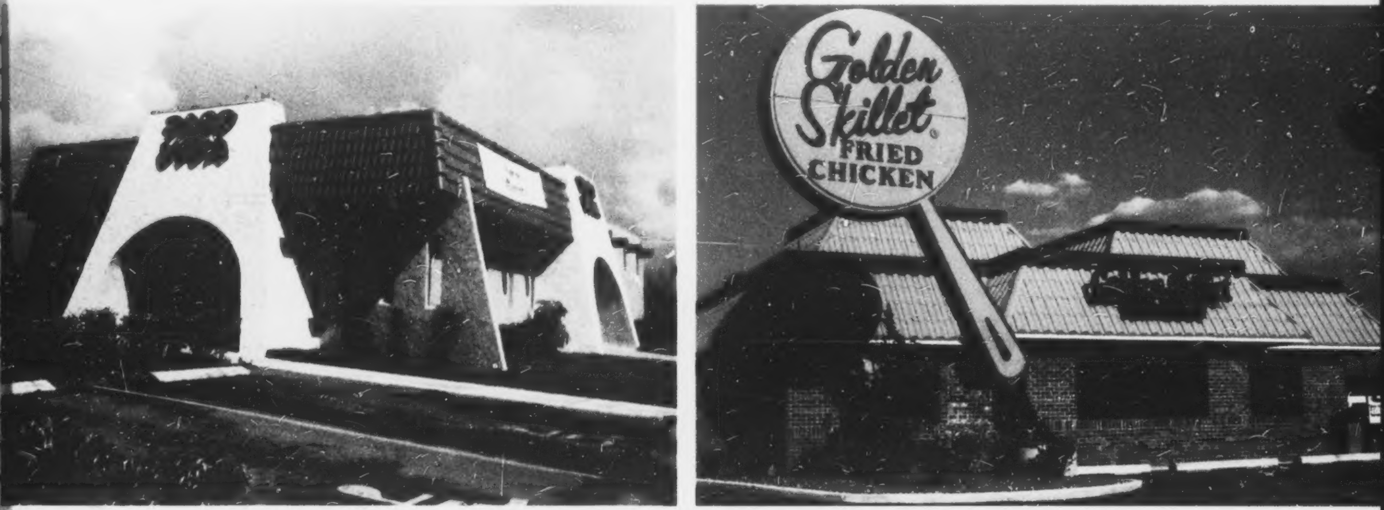
The corporate mating game has come to entail a specialized and sophisticated approach to planning the future around developing growth concepts. Careful strategic planning—Exactly where does this concept fit into our overall corporate plan?—outweighs diversification for its own sake. The country has been through one of the worst recessions in its history, and has struggled with record-high interest rates. Economic conditions the past few years have left corporate America cautious, with a more disciplined philosophy toward expansion through acquisition. Buying into unrelated industries is a practice many companies widely avoid, for example. The practice can be risk-ridden and costly.

Due to the difficulty of expanding in a highly competitive marketplace, many foodservice companies—both on the buying and selling side—have realized that combining forces is the surest and quickest road to growth.

"It is very difficult to integrate a company when you know very little about its business," says Geoffrey D. Lurie of the consulting firm Touche Ross & Co. "The key to making an acquisition today is buying a company in a related business, and preferably buying it with its management in-place. Making the decision to diversify is relatively simple, and in the foodservice industry it becomes more essential that companies consider such a move. The problem, however, is targeting the right company to go after, and then integrating the new company into your own. That is the point where theory breaks down and the real world comes in. The transition occurs much more smoothly, the long range results are far better if there is familiarity."

According to Roger Magid of Touche Ross, the most successful integrations have occurred when both parent and subsidiary are able to function autonomously. "Decentralization of management is of paramount importance," he explains. "Particularly when you have a small, entrepreneurial company used to making decisions just a few months out, being swallowed up by a huge corporation used to making strategic plans for five years down the road. If the new acquisition can function independently, the 'us versus them syndrome' can be minimized."

That, say observers and participants alike, is why buying a company's management as well as its assets becomes extremely crucial. The most successful business combina-



Taco Viva acquired Paco's Tacos for conversion; Dairy Queen diversified with Golden Skillet purchase.

tions have been the result of one company buying another intact, so that the new subsidiary can continue—as much as possible—as a separate entity without missing a stride.

Without a doubt, the driving force in today's acquisition market is the portfolio approach. Protect yourself—from changing consumer tastes, from commodities price fluctuations, and from competition—by crossing over into other concepts and segments. If you can diversify your customer base, you will become more recession-proof and get a larger share of the market.

"McDonald's does not talk about this publicly, but there is talk that the company is now considering diversifying," says Culp. "The very fact that McDonald's is thinking about branching out—regardless of whether or not they actually do anything soon—is a big step. It says something very profound about the state of the industry today. Ten years ago, McDonald's would never have been the subject of such speculation."

Of course, it is the larger, more mature single-concept chains that diversification seems more critical to. Plagued by the prospect of saturation, branching out with another concept is about the only way to ensure continued long-term growth.

Just a few months ago, Burger King chief executive J. Jeffrey Campbell announced that he was restructuring top management, and one of the reasons for his move was to begin planning for diversification. Through an acquisition, Burger King will be entering a non beef-intensive segment, somewhat like Wendy's International opting for diversification with its Sister's Chicken & Biscuits concept. A Burger King spokesman says that the Miami-based hamburger giant will probably opt for acquiring a regional pizza chain with growth potential, then begin expanding it rapidly.

Major industry participants, like Saga for instance, learned early on that the successful restaurant company of the 80s and beyond is one which depends not on a single concept, but on several. Saga's acquisitions of Grandy's and Spoons last year marked its entry into two growing segments—upscale chicken with Grandy's and gourmet hamburgers with Spoons. The Menlo Park, Cal.-based industry leader has become an extremely diversified company over the past few years, and acquiring restaurant concepts has been a major part of its strategy (see page 153).

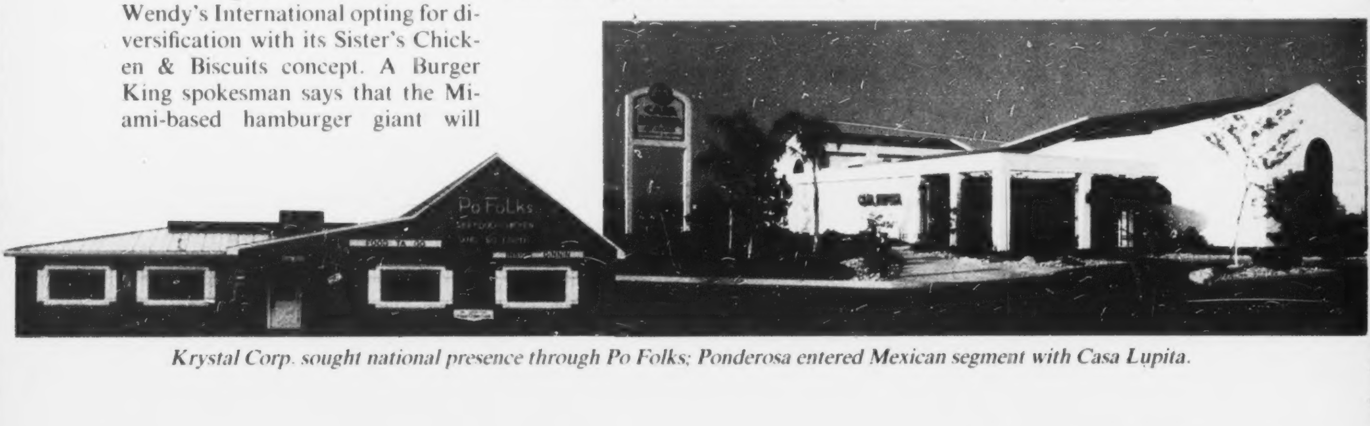
Mature companies like Denny's, which can be hard-pressed to continue growing, have opted to acquire high-growth concepts with the potential for national appeal. The company last year acquired development rights to the fledgling El Pollo Loco concept, which features charbroiled chicken with a south-of-the-border flair. With company-built Denny's unit openings sagging to only 40 a year and Winchell's Donut House units dropping, the El Pollo Loco move allowed Denny's opportunity to pour much of its $100 million a year in available cash into expanding a new market niche. The concept's low food and labor costs and high returns on investment, along with its appeal to lighter eating tastes, made El Pollo Loco a perfect strategic fit.

According to Denny's president and chief executive officer, Vern O. Curtis, Denny's acquisition days are over however. "We want to have a dominant position with the concepts we now operate—family restaurants, donut houses, and non-fried chicken—rather than have a whole set of subsidiaries," says Curtis. "Until we are as strong as we can be in the segments we're already in, we won't be acquiring any more concepts." Curtis, along with other Denny's managers, is in the process of negotiating a leveraged buyout of the company (see page 151).

Collins Foods International (CFI) is adding some 80s-style spice to its successful but rather well-worn portfolio of Sizzler Steak Houses and franchised Kentucky Fried Chicken operations. CFI's chairman, James A. Collins, is committed to doubling the company's revenues within the next four years—fiscal '83 sales reached $448.9 million—but believes that growth and improvements in KFC and Sizzler alone will not be enough.

CFI first turned to internal development, but its Southside BBQ, Lumber Camp (upscale steak houses) and Goose Creek Food 'n Fixins (a Southern home-style food concept) experiments were rapidly scuttled due to poor performance.

As a result, the company has taken a different route to diversification: Through acquisition and joint venture, it has come in on "ground floor-level" projects in the pizza, upscale hamburger and Mexican segments, using the cash generated by KFC and Sizzler units to fund the projects. When CFI acquired Chicago's Gino's East pizzeria for $2.5 million last November, it acquired recipes, a name, and a reputation. With Rich (Lettuce Entertain You) Melman, CFI is putting the finishing



Krystal Corp. sought national presence through Po Folks; Ponderosa entered Mexican segment with Casa Lupita.

touches on a duplicable chain concept, which is being debuted in home-base Southern California this summer. Eventually, the company hopes to use its considerable expertise as both franchisor (of Sizzler) and franchisee (of KFC) to begin licensing Gino's, likely to begin in CFI stronghold Australia.

CFI also owns a 60 percent interest in Ed Debevic's Short Order Deluxe, a hamburger cafe concept developed by Melman and Big 4 Restaurants co-owner Lee Cohn. Through a joint venture, CFI has provided the entrepreneurs with the capital to fine-tune the first three units, and CFI will begin opening its own Ed Debevic's as a licensee.

This year, CFI's majority-owned Sizzler subsidiary acquired the recipes and development rights to a family-oriented Mexican concept called Emma's, which will be used as an adjunct concept and conversion vehicle by steakhouse franchisees.

All told, CFI will triple capital expenditures to about $175 million in the next three years, about a third of which will be spent on the three new concepts.

Adds Collins: "We need to make another acquisition in the next few years in order to fuel this growth, but so far no one wants to dance." Seafood has been mentioned as just one possibility. "The most important element of an acquisition is the people-fit," says Collins. "Of course you're looking for as little earnings-per-share dilution as possible in a transaction, but if the concept is great and really has the potential to grow, and you've got people that you've got confidence in, does it really matter if earnings per share drops from $2 to $1.90 for a while?"

According to Wall Street, a good price for an acquisition in the foodservice industry is 15 times current year earnings (about 6.5 to 7 times after tax earnings). However, says Culp, "You've also got to look at other things like management and growth potential—it isn't that clear cut." Regarding earnings per share dilution, Culp cites the Godfather's/Chart House merger as questionable. "People have been a little sour on the merger because the EPS dilution was 20 percent. That's higher than it should be and can be seen as risky, but I still maintain that the overall transaction was a good one.

Beginning on page 153 are profiles of four of the most prominent players in the mergers and acquisitions market: Saga, Diversifoods, Vicorp, and R.J. Reynolds Industries. In studying each, it becomes clear that no two companies are alike in either their goals or execution when putting together a deal. But it becomes equally clear that each company, determined to expand in order to secure future health for the company, its managers, and stockholders, views growth through acquisition to be key in the foodservice industry today. Following these profiles is a select list of about 30 foodservice concerns involved in merger and acquisition activity. The list spans 1979 through June, 1984, and focuses on the larger transactions.

What the listing does not include are those purchases involving franchisors and franchisees. As good sites become difficult to develop, a growing trend toward franchisors acquiring franchisees is developing.

"You've got a franchisee with a certain territory granted him, and once he's developed his area, there's not much more he can do," says Richard L. Chilton, Jr. of Allied Capital Management. "The franchisor may be able to buy that person out and keep his own earnings growth up as a result. As the market is now, the price to buy back a franchised store is about half the price of building your own unit. It's a very effective way for a franchisor—who can be hard pressed to expand any further if his concept is a mature one—to keep up a good earnings trend." Chilton cites Burger King's setting up a corporate development program, with one of its major concerns being the buying back of franchised units. "The site factor is an important one today," says Chilton. "The world gets smaller every day."

Häagen-Dazs
Burgers

RA acquired 40 percent of Acapulco y Los Arcos; Pillsbury entered ice cream segment with Haagen Dazs.

SAGA

Flexibility fosters future growth

Saga today is markedly different from the company it was 10 years ago.

With an emphasis on accelerating revenue growth rates and maximizing its management resources, Saga has successfully grown beyond its contract foodservice beginnings to become a restaurant portfolio company whose presence in the market is approaching a national scale. The Saga of the 80s is a multi-faceted consumer services company, designed with flexibility to take advantage of opportunities as they arise in several segments of the foodservice industry.

The company's restaurant operations encompass several distinct chains—Velvet Turtle dinner houses, Stuart Anderson's Black Angus/Cattle Company steak houses, Grandy's upscale chicken restaurants, and Spoons gourmet hamburger cafés—plus a new Restaurant Management Division serving the lodging industry.

And in a striking example of Saga's commitment to optimum use of its financial and management assets, the company announced plans in late June to divest Straw Hat Pizza, the organization that brought Saga its first entry into the public foodservice sector in 1969. With annual revenue growth in the nominal range of six to seven percent, Straw Hat is simply not a strategic match for Saga's new top-performing Grandy's division, with 65 percent annual growth.

In fiscal 1984, ended June 30, all of the company's divisions experienced improvement, including the corporate foodservices, education health care, and Canadian divisions comprising Saga's contract segment.

It has not always been so. The company began life in 1948 as a contract feeder, and today continues to count nearly two-thirds of its revenues from this business segment. Yet while Saga had diversified its account base and had established restaurants as its second line of business in 1969, the company began to see its bottom line eroded by rising commodities prices in the late 1970s.

Strengthening results in the contract segment was only part of the turnaround strategy implemented by chairman and chief executive officer Charles A. Lynch. Gaining a position in less price-sensitive areas than contract feeding was also vital.

Lynch has spearheaded a corporate restructuring and diversification program that positions Saga as broad-based consumer service organization with a retail orientation. Much of that repositioning has come through well-planned acquisitions in public foodservice, notably those of Grandy's and Spoons in mid-1983.

Saga chairman and ceo Charles A. Lynch.

Historically, Saga has often grown and broadened its business base through acquisition. This has been particularly true in the company's restaurant segment.

In 1971, two years after it had formed Straw Hat Pizza through the acquisition of two small pizza operations, Saga bought the five-unit Velvet Turtle dinner house chain. The following year, Saga acquired the nine-restaurant Stuart Anderson's Black Angus group, now Stuart Anderson's Black Angus/Cattle Company Restaurants. A third chain, the 18-unit Refectory acquired in 1973, was a further extension of Saga's strategy of buying small growth-potential chains, rather than starting up new operations. (The Refectory was later divested, because it no longer offered adequate return and expansion opportunities.)

But none of these concepts could offer the sweeping growth potential and high return on investment that Saga needed to burst out of its slump. For Charles Lynch, brought in as president and chief executive officer of Menlo Park, California-based Saga in late July of 1978, the immediate task was one of improving profits. The Refectory—which competed for customers with Black Angus—was sold, and an underperforming, internally developed concept called The Wild Strawberry was scuttled. Improvement programs were implemented in the areas of overhead expense controls, pricing strategies, productivity, purchasing, training and development, and cash and asset management. Unit expansion during this period was nominal.

In early 1982, the company was

restructured in preparation for growth. Lynch, named chairman in January of that year, created a four-man Office of the President. Three key executives, each with specific areas of responsibility, were designated to share that office with Lynch: Jeffrey O. Henley, James W. Morell, and Carl H. Randall. In addition, Lynch moved 25 corporate managers into new or redefined positions, energizing the entire top structure of the company with new assignments.

Saga approaches the process of targeting acquisitions by first determining what new segments make the best "fit" with existing operations.

"We work to really understand the businesses we are already in first," explains Lynch, "before we even consider acquisitions. We begin by analyzing our opportunities with existing portfolio components, but we also realize that not every one of our existing businesses is destined to be the 15 percent annual growth format that we feel is optimal. The question becomes: What should we be looking for to fill these gaps? What formats are evolving that would fit in with our existing businesses? We don't want to compete with ourselves in the true sense of the word by having overlapping segments or by going after the same customer."

Upscale, quick service formats emerged as likely candidates through this process. Noting sweeping changes in customer demographics and lifestyles, as well as attractive returns associated with the emerging upscale fast food and adult-oriented hamburger chains, Saga began to pursue acquisitions in those segments in late 1982.

Explains Lynch: "In selecting a target, we screened several hundred, and talked to just a handful. You have to boil it down and analyze the possibilities before you even begin to negotiate."

Lynch refers to this process as a filtration system. Tantamount to the success of the system, he asserts, is a set of well-defined guidelines. These New Business Criteria, as they have also been called, stipulate that any new business—acquired or developed internally—should have:

- Net income of at least $4 million per year within five years;
- Five percent real market growth;
- Potential for market dominance within five years;
- Internally generated funds, capacity for additional debt;
- Return on assets (ROA) in excess of base business; and
- Business which does not further exaggerate seasonality of earnings.

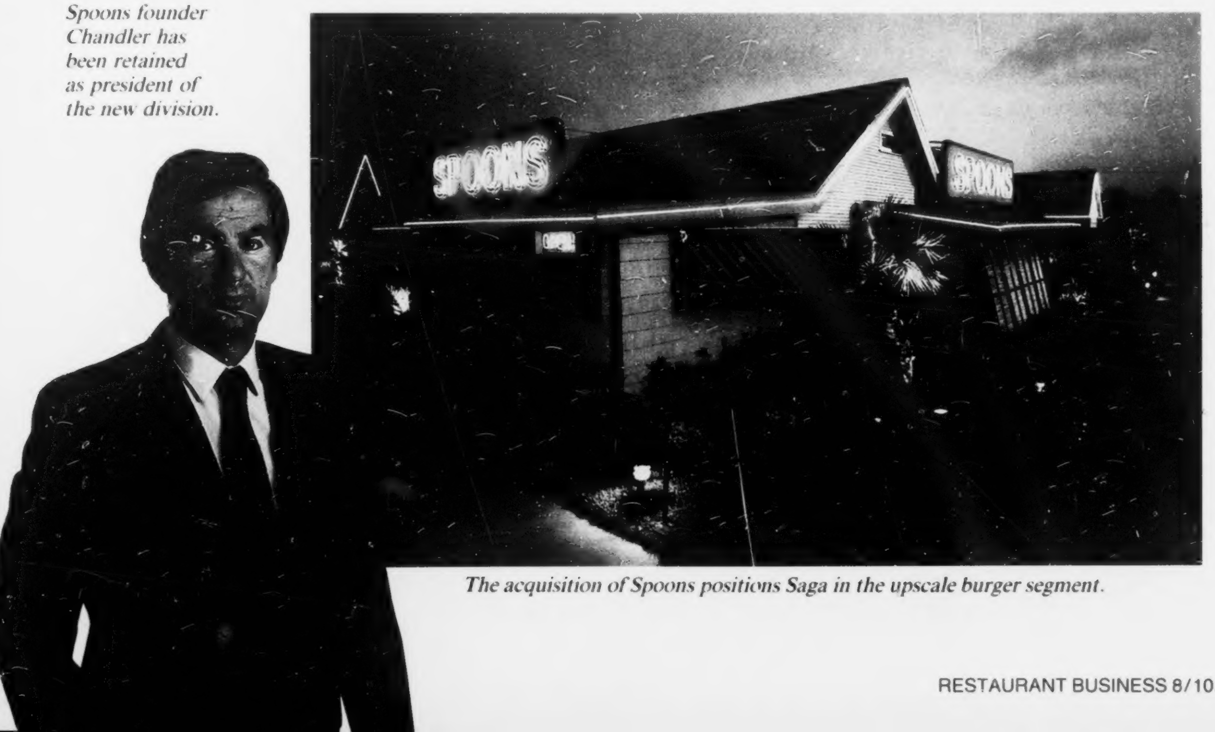
The reason for these criteria, says Lynch, is minimization of risk.

These guidelines enable Saga to weed out a number of possibilities, without wasting undue time at the bargaining table.

It turned out that Grandy's was a near-perfect fit. With 63 units and $27 million in revenues, the Lewisville, Texas chain of family-oriented chicken restaurants had for some time been quietly investigating its options for funding an ambitious expansion plan. According to Saga executives, Grandy's performance and management were "superb."

Grandy's was an established company with well-defined goals of its own. Founded by Walter E. (Ed) Johnson and Rex E. Sanders in 1972, the company was already in a heavy growth stage and had adopted a five-year expansion program which Saga found viable. In addi-

Spoons founder Chandler has been retained as president of the new division.



The acquisition of Spoons positions Saga in the upscale burger segment.

tion, Grandy's profile fit well with Saga's philosophy of allowing its operating divisions considerable independence and flexibility.

Says Johnson: "We wanted maximum autonomy over our operations. Our new parent had to have a track record of decentralization." Johnson and Sanders had been through one unhappy acquisition experience some years back when they sold out their first concept. Doubly cautious now, they had their own stringent set of criteria for a parent. The agreement was concluded on July 27, 1983, as Grandy's became a wholly owned subsidiary of Saga for a little more than 1.6 million common shares, valued at about $66 million.

Meanwhile, Saga was forging ahead in its attempts to make an acquisition on the gourmet hamburger front. In early 1983, the company had signed a non-binding letter of intent to acquire Chili's, which, with about two dozen units and average unit volumes well in excess of $1 million, is an acknowledged segment leader. Yet in June, the negotiations were called off as Chili's decided instead to go public.

Saga had already targeted Spoons as a second choice, and without missing a beat, went on to acquire the five-unit chain on August 18, 1983, for about $3 million.

In its acquisition of Spoons, Saga became parent to a company that could best be described as embryonic. With all five units in Houston, Spoons had sales of under $5 million and a management team that basically consisted of the founder (who goes by the single name Chandler) and two other people. Saga's first priority for the fledgling company was to place about half a dozen new people on its staff, particularly in site selection and marketing. In addition, Saga had some fine tuning to do to ready the Spoons concept for expansion.

As much as Lynch acknowledges that Saga was taking something of a risk considering the untried nature of the Spoons concept, he points out that, overall, buying was the least expensive way to get into the segment.

"The investment required to buy an emerging concept is relatively minor. And when you buy it, you're in business right away. You might need to make a few modifications, but basically you're buying an ongoing business."

The strategy for Grandy's and Spoons is one of ambitious and immediate expansion. Says Randall: "We plan to expand these concepts as fast as the market allows without jeopardizing the inegrity of the concepts." While the company declines to reveal long-range plans, fiscal 1985 will see the opening of about 30 company-owned and 50 franchised Grandy's, and about 10 to 12 Spoons. Franchise plans for the latter concept are also a future possibility.

The two new concepts will be heavy growth vehicles for Saga; Grandy's began contributing to per share earnings almost immediately (most acquisitions dilute earnings for a period of several years) and was expected to generate about $100 million in fiscal 1984 revenues. Black Angus and the Health Care division of Saga's contract segment round out the company's high growth portfolio. A base of over 1,200 contract accounts is supplying the cash and management to fuel this growth.

With this diversified portfolio of mature businesses, and a group of concepts that have high returns on relatively low investments, Saga seems destined for a secure future. And, says Lynch, Saga has not closed its eyes to future acquisitions. "Give me another Grandy's," he asserts, "and I'd have the checkbook ready." **—Joan Lang**

Grandy's co-founders Ed Johnson (l.) and Rex Sanders will operate the upscale chicken chain as an independent entity.

DIVERSIFOODS

A portfolio with a pizza topping

Last year's expeditious merger of Lafayette, La. based Chart House, Inc., and Omaha-based Godfather's Pizza, Inc., caused quite a stir in the industry. It also created one of the largest publicly traded restaurant companies in the U.S., with combined 1983 sales of $500 million. The combined entity, now known as Diversifoods, Inc., is among a growing number of "portfolio" companies in the industry, with five different restaurant concepts operating in nearly every state. Two of its concepts, Godfather's and Luther's Bar-B-Que, form the backbone of the new company, providing major growth opportunities.

The merging of these two companies may have appeared almost haphazard at first—not so much out of design as out of creative spur-of-the-moment vision. Two entrepreneurs—Chart House founder Billy Trotter and Godfather's founder Willie Thiesen—meet skiing one day in Aspen. Friendly conversation turns to business, and before long the two are talking deal. Soon afterward—and much to everyone's surprise—an agreement is signed, altering the futures of both companies practically overnight.

But there's more to it than that. The joining of Chart House and Godfather's was no convenient, friendly amalgamation designed by visionary entrepreneurs. It was a merger conceived out of mutual need between major foodservice concerns with a lot to gain from consolidating.

For one thing, Trotter needed a major growth concept added to Chart House's tiring portfolio. The company was—and still is—heavily dependent on cash generated by its 267 company-owned and 110 sublicensed Burger Kings. Its Cork 'N Cleaver steak house and Cisco's Mexican concepts were failing and on the verge of being eliminated. And its premiere growth vehicle, Luther's, was as yet unproven with only 45 units open in southern locations. All in all—and including the company's 51 upscale Chart House restaurants—every concept in the company's portfolio strongly relied on selling red meat. A major growth concept (preferably one which was not tied to beef prices) became critical. Godfather's fit the bill.

Godfather's, too, needed a change. Downward sales trends since 1982 concerned Thiesen so much that major management changes were being made to reverse those trends. The company had fallen well behind its competitors due to a very late testing of a pan pizza product, and had shown sluggish sales since being forced to eliminate its "Godfather" character from ads due to protests by the Sons of Italy. Thiesen decided he would need greater financial and management strength to secure the company's (and stockholders') future, and a merger with Chart House would accommodate both needs.

Gearing up for the change

In preparation for its own future growth—and prior to beginning talks with the pizza chain—Chart House had been laying the groundwork for a reorganization. Just four months before an agreement in principle was signed to merge with Godfather's, Don Smith was named president and chief executive officer of Chart House. At 43, Smith is among the industry's leading figures, having held the top positons at McDonald's, Burger King, and most recently PepsiCo's foodservice division, comprised of Pizza Hut and Taco Bell.

Smith's move to Chart House in May 1983 was the telltale sign that things were about to happen in Lafayette. His compensation package was directly linked to the company's performance, just as it is now linked to the performance of Diversifoods. Says one company insider, "Don Smith didn't come to Chart House to run its Burger King units." A major reorganization was to take place upon his arrival.

Godfather's was also in a changing mode prior to talks between Thiesen and Trotter. In 1982, nine years after opening its first restaurant, the company made its first public stock offering. Just weeks before signing an initial agreement with Trotter, Thiesen—handing over the reins for the first time since founding the company in 1973—brought in Chuck Boppell, to take over as president and chief executive officer. Numbering almost 900 restaurants, Godfather's had grown beyond Thiesen's control.

"I knew that my business needed professional management in order for things to keep going smoothly," says Thiesen. "That's not my expertise, so I had to bring in someone like Chuck to take over." Thiesen lured Boppell away from PepsiCo, where he headed the Taco Bell division and where he had worked before with

Smith. Boppell reportedly did not know he would again be working with Smith—via the merger—when he decided to work for Thiesen.

"The whole thing happened very quickly," says Thiesen. "It wasn't as if Godfather's was up for sale or looking around for a partner. I only spoke with Chart House, there were no other negotiations."

Putting together the pieces

Smith has assembled what many industry observers view to be among the most talented group of senior managers in the industry. That, coupled with his commitment to maintaining a well balanced portfolio of high growth restaurant concepts, is expected to secure steady growth for the new company.

"Diversifoods will be managed much like a successful investment portfolio, and for many of the same reasons," says Smith. "We're diversified by restaurant concept, by food items, by geography, and by management type. Additionally, the wide range of real estate locations we control means we can test and develop a new restaurant very quickly if the situation warrants. What that all means is that we're very flexible, and that is a great asset in this business, particularly during bad economic times."

The company's new headquarters are in Itasca, Ill., though, through a decentralized approach to management, divisions are located in areas of strategic significance. Each division—one for each concept—has a president, and all report to Smith. Senior management is comprised of experienced Chart House executives and others Smith has worked with before at PepsiCo and Burger King.

Though the company's Burger King division, headed by Chart House veteran Bill Hyde, who preceded Smith as CEO, is the predominant source of cash for the company, further expansion of the system will be minimal at about a dozen new units a year. The Chart House division, also led by a Chart House veteran, John Creed, has never been a big growth vehicle. The concept, which is very expensive and time-consuming to build, does not have nearly the return on investment potential as other concepts, at only one dollar of sales to one-dollar of capital investment. It is expected that Smith, following the philosophy of channeling money into high growth, high return concepts at the expense of others, will at some point sell off the division, though Creed is making changes to improve returns. And, though the company is excited about its new Moxie's gourmet hamburger concept (now being used as the conversion vehicle for discontinued Cork N' Cleaver and Cisco's concepts), it is still too early to tell what contribution Moxie's will make to the company in the long term. Moxie's president, Shawn Holder, worked with Creed in Chart House's steak house division, and was named to his new post by Smith.

Of Diversifoods' five concepts, Godfather's and Luther's are key, they have the greatest potential for growth. As a result of the merger, Godfather's replaced Luther's as top expansion vehicle. By 1990, the pizza chain's current base of 900 restaurants could well reach 2,000, according to Smith. Between company and franchised growth, 180 to 200 Godfather's units are planned to be added each year.

But new openings aren't the only means of reaching those goals. When asked whether Diversifoods is scouting out potential acquisition targets in the pizza segment, Thiesen replies, "I will not deny that we are looking to acquire regional pizza chains, or that we may be negotiating with some. This isn't all the activity you'll see from us. We're not finished yet."

Godfather's will also concentrate on entering major metro areas, where Pizza Hut does not have a presence. In New York, for instance, the Riese Organization will build 75 units.

Godfather's
Pizza

900-unit Godfather's is courting smaller pizza chains.

Fledgling Luther's hopes to lead the barbecue segment.

Pan pizza, which was rolled out in July, is a major step toward boosting sales and customer counts. Though the introduction is a late one, the company is confident of a complete turnaround. Company Godfather's units peaked in sales in 1981 at $556,000 annually, but declined to $510,000 last year. Franchised stores also peaked in '81, reaching $443,000, though their average last year was $400,000.

"During our initial testing, most restaurants with the pan pizza were running a minimum of 12 to 15 percent sales increases," says Boppell. "Our product is superior. It travels better because of an extra layer of cheese next to the crust, which prevents sauce from soaking in. That's a real advantage since 40 percent of the pizza business is carryout." Boppell also notes that home delivery will be introduced next year.

The reappearance of a less typecast "Godfather" character in advertising is being counted on to help boost sales as well. Also, a comparative advertising campaign is being introduced soon which will stress Godfather's product superiority.

Luther's, though taking a back seat to Godfather's, is Diversifoods' other high growth potential concept. Under Jeff Jefferson, who also worked with Smith at Pizza Hut and is now president of the Luther's division, the proprietary barbecue chain will undergo many changes and rapid expansion. Scheduled to grow to 135 units this year, and to nearly 250 in 1985, the concept is being improved for greater efficiency and profit. A modified building prototype is 1,000 square feet smaller than the original 6,000 square foot Luther's building; the dining room has been subdivided rather than open space-designed; and drive-thru windows have been improved to boost takeout sales. To reduce cooking time and food cost, convection-supplemented barbecue pits are replacing original pits, cutting cooking time from 16 to eight hours.

Luther's a fast service barbecue concept acquired by Chart House in 1981 from Chandler, who later sold Spoons to Saga, features barbecue brisket, pork ribs, chicken, and hamburgers. Its primary market, according to Jefferson, consists of 25-45 year-old males. Under the revamp, regional menu items are being considered, as are items that will appeal more to women and children. These items include individual salads and a children's menu, a chili, burritos, and tacos. Luther's $4 average check places it in a unique position: It is virtually unchallenged by similar competitors, earning Luther's designation as the possible "McDonald's of the barbecue business," by Michael Culp, industry analyst with Prudential-Bache Securities.

"There are no major chain competitors in the barbecue segment, and Luther's should do well against the mom and pops," says Culp. "We've long viewed the concept as an attractive growth vehicle for the company. Quality is high, portions large, and presentation is good."

The new Diversifoods will depend heavily on its pizza and barbecue concepts, but with its unique group of professional managers it seems unlikely that diversification is complete. Smith says he is considering, "either by acquisition or internal development," adding more concepts to the portfolio. Pasta is a possibility, but so might be chicken, seafood, or some other concept.

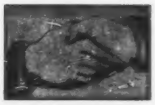
According to Culp, that sort of move is likely to occur after "the Godfather's/Chart House merger has been fully digested." Diversifoods now has a $100 million line of credit, twice that of Chart House. The company's balance sheet shows 33 percent debt to total capital. "That's one of the strongest in the industry," points out Culp, stressing that further diversification would not be a problem for the company.

With Thiesen, Trotter, Smith, Boppell, Jefferson, and the others, the new Diversifoods promises to be among the more interesting restaurant companies to watch over the next few years. A lot has taken place since Aspen. —**Ralph Raffio**

Chairman Trotter is trying to build strength with seasoned managers.

Godfather's Thiesen is looking for improved sales and growth.

CEO Smith will stick with high growth, high return concepts.



VICORP

Buying spree builds opportunity

Skillful management has long made Denver-based Vicorp Restaurants, parent of Village Inn Pancake House Restaurants, one of the industry's more reliable performers. In the early 1980s, when other operators in the mature coffee shop segment lost out to the recession and to trendier concepts, Vicorp's sales maintained a steady if unspectacular upward beat.

Recently, however, this conservative firm has surprised industry watchers with a bold buying spree. In little over a year, Vicorp has spent approximately $168 million acquiring restaurant chains, adding 295 units to its 180-unit core.

Vicorp claims that there is no stated strategy behind the buying. Rather, the company says it has acted opportunistically, moving quickly to buy as deals presented themselves.

"When that right combination comes along, you have to be ready to act," said Vicorp secretary/treasurer Peter Doane, in an interview this April. "I can tell you that right at the moment, we aren't contemplating any acquisitions, but we weren't before either." The following June, Vicorp announced two more acquisitions, one of major proportions.

Growth of this nature can't help but attract attention, especially since Vicorp has insisted on putting some large bundles into its shopping bag. Critics point out that the company is now mortgaged to the hilt, toting almost a 3-to-1 debt-to-equity ratio as of June. This ratio will fall to approximately 1.6-to-1 after the closing of Vicorp's most recent acquisition due to the concurrent issuing of $47.5 million of new preferred stock. Others, however, take heart from Vicorp's two major strengths: able management and a good cash flow. "The style is extremely opportunistic, with two plus two equaling five," says one Wall Street admirer. "If I didn't have the faith in management that I do, I would be scared."

The acquisitions that have made Vicorp grow so quickly are:

- In May, 1983, Vicorp purchased Pillsbury Corp.'s 59-unit Poppin Fresh restaurant chain for $38 million.
- In February, 1984, Vicorp purchased the 72-unit Continental Restaurant Systems (CRS) from Ralston Purina for $61 million.
- In June, 1984 Vicorp signed a letter of intent to purchase 183 Seasons Restaurants from Sambo's Restaurants, Inc. These units will cost Vicorp another $62.5 million.

There have been smaller purchases too. In July, 1982 Vicorp bought nine specialty restaurants from CRS and in October, 1983 picked up 16 Sambo's. Also, in June of this year, Vicorp purchased The Perfect Pan, Inc, a six-unit dinner house chain based in San Diego.

The impact of these purchases has been both immediate and dramatic. Vicorp's sales jumped 113 percent to $86 million in 1983 as a result of the Poppin Fresh purchase; 1984 sales are expected to soar another 200 to 300 percent. (The company's 1984 sales, not including the recent Seasons acquisition, have been projected at near $300 million.) 1983 earnings per share rose $.85, an increase of 49 percent over 1982 (adjusted to reflect a two-for-one split in 1983).

On the other hand, Vicorp now bears a debt of over $100 million and must now maneuver through uncharted waters as it assimilates the varied restaurants it bought. The buying has also altered Vicorp's mix of corporate and franchised units. Originally a highly franchised company, Vicorp has found that the process of converting newly-purchased restaurants into other concepts favors corporate growth. "We remain committed to franchise expansion," says Doane. Generally, the company prefers to reserve only core markets for company growth.

Industry sources attribute Vicorp's new opportunism to the leadership team of Gordon Miles and Charles Frederickson respectively chairman of the board and president of Vicorp. Founded in 1958 by two Denver entrepreneurs, the company was in its early years run like a family business. In 1977, the company was bought by a group of investors, led by Miles and Frederickson.

During the first five years of Miles and Frederickson's involvement, Vicorp remained a low profile firm, concentrating its energies in expanding its Village Inn chain in known middle American markets.

Historically, Village Inn's growth has been through construction of new free-standing buildings. In the early 80s Miles and Frederickson began to wonder if they had missed the boat by ignoring conversions.

This led to Vicorp's acquisition of nine dinner house units from CRS. These were used to launch two specialty restaurant concepts: Varieties, a nightclub and restaurant, and The Rose, an Irish pub concept.

It was Vicorp's second acquisition, however, that made the industry take notice. This was the Poppin Fresh deal, initiated after Miles received a letter in the mail announcing the availablity of certain Poppin Fresh units. Initially unenthusiastic, his interest grew when he learned that Pillsbury might be interested in selling the entire chain at book value. Moreover, Pillsbury was willing to transfer over $21 million of Poppin Fresh's long-term debt at interest rates ranging from nine to 13 percent. This left approximately $17 million of the $38 million asking price to be paid upfront.

Once the decision was made to buy, Vicorp moved quickly to raise the cash. After securing a bridge loan from Merrill-Lynch, the company raised $21 million by issuing 880,000 shares of common stock in a second public offering (Vicorp went public in August, 1982).

Miles wanted Poppin Fresh for a variety of reasons: First, Poppin Fresh's bakery format was a natural complement to the Village Inn chain. Miles envisioned the sale of Poppin Fresh Pies in the Village Inn units, and the addition of breakfast to the Poppin Fresh restaurants. Moreover, Poppin Fresh had achieved significant penetration in the Chicago and Minneapolis areas—two markets where Village Inn had zero presence. And finally, Miles liked the concept and felt that there was nothing fundamentally wrong with the chain.

Yet, Poppin Fresh did not come without some built-in problems. Primary among these was the profit-eating commissary and distribution system needed to bake and transport the chain's featured pies. Although Poppin Fresh was a high volume concept with per unit sales peaking at over $1 million, Pillsbury—owner of the ultra-successful Burger King, Bennigan's and Steak and Ale chains—had always considered its profit contributions disappointing. And at the time of the transaction with Vicorp, per unit sales had dropped off to under $900,000.

Miles is betting that he can offset the commissary and distribution drain by increasing the number of outlets they service. To this end, Vicorp is expanding the Poppin Fresh concept, now renamed Baker Square, in both a full-service and mall-oriented retail format. Wholesale distribution of pies to other restaurant chains, including the Village Inn chain, is also underway.

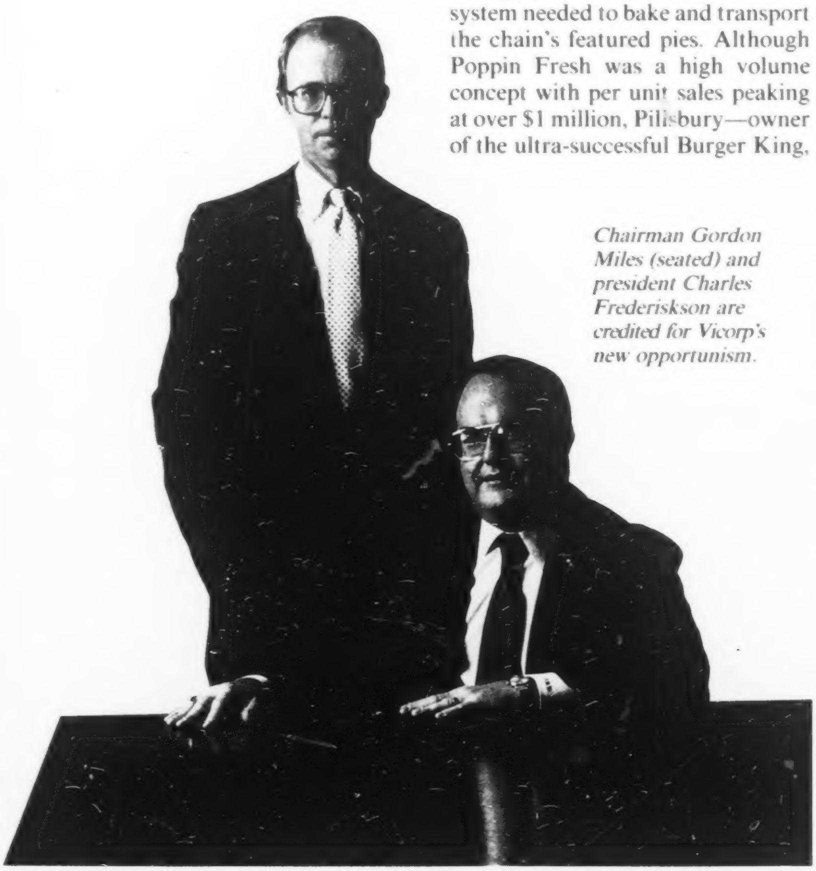
In February, 1984, while still assimilating the Poppin Fresh units, Vicorp was approached by the head of Ralston Purina's Continental Restaurants Systems. The two had established a working rapport during Vicorp's earlier acquisition of the nine CRS dinner house units. Now, the division was on the block.

Again, Vicorp jumped. This specialty dinner house chain—most likely sold to create cash for future acquisitions by Ralston Purina—is another sound operation. Moreover, CRS provided Vicorp with an opportunity to move more seriously into the dinner house segment. CRS offered a mismatched string of profitable specialty restaurant concepts, including the high volume, 14-unit Carlos Murphy's chain. It also brought with it a skilled management team that was used to working autonomously. This dinner house expertise was a boon for Vicorp.

To raise the $61 million needed to buy CRS, Vicorp went back to Meril-Lynch to arrange mid-term financing.

"We felt that CRS offered sufficient cash flow to carry a mid-term debt, and that the market for our stock was not where we wanted it to obtain additional equity capital," Doane says. The sale of $50 million worth of 13.5 yield convertible "baby bonds" provided the solution.

New and little used, baby bonds differ from conventional bonds in



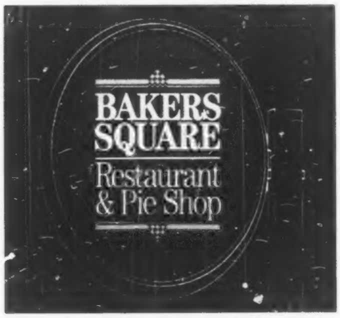
Chairman Gordon Miles (seated) and president Charles Frederiskson are credited for Vicorp's new opportunism.

the small denomination in which they are offered. Instead of the usual $1,000 minimum, baby bonds are available at $25, providing access for small investors. Doane expects Vicorp's per share value, ranging around the $18 mark as of June, to reach the $25.20 conversion price within 2-3 years.

Planned for the CRS division is continued expansion in previously penetrated areas (primarily California and the Great Lakes states). The six-unit Perfect Pan chain, acquired in June, will be assimilated into this division. Also taken under the CRS wing are Varieties and The Rose, both now undergoing conversion into other CRS concepts.

Barely had Vicorp completed the sale of its baby bonds when the company signed a letter of intent to buy 183 Seasons Restaurants from bankrupt Sambo's. This occurred after a planned merger of assets between Sambo's and Consolidated Products, Inc. (formerly Steak 'n Shake, Inc.) fell through. To acquire the Seasons units, Vicorp will pay Sambo's creditors $6 million in cash, $47.5 million in convertible preferred stock, and $9 million in secured and unsecured notes.

Vicorp will use the new units to expand the Bakers Square and Village Inn chains. The 183 units, concentrated in Sambo's core California and Florida markets, provide some excellent locations, says Miles. "At one time, Sambo's had 1,000 units, then they reduced these to the best 220," he explains. "On this basis we bought 183 of them."



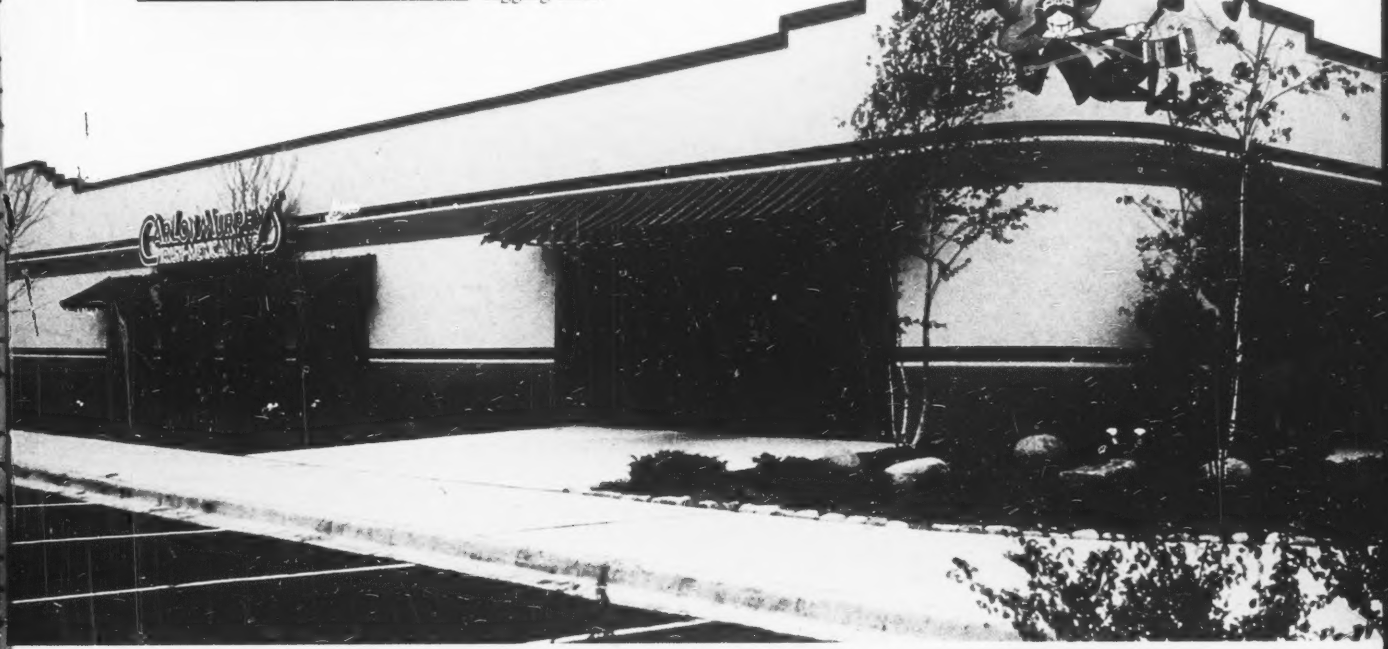
A new name and image have helped Vicorp increase Poppin Fresh's sagging sales.

Although the company eschews formal acquisition planning, a certain pattern has emerged regarding Vicorp's growth. Don't expect Vicorp to leap from the mature segments where it is comfortable into the glamour foods, such as fast foods or gourmet burgers. It won't, says Miles. The reason? Tighter competition.

Vicorp is also unlikely to go out and start up its own new concepts, says Miles. After the experiences with The Rose and Varieties, "we learned that this type of innovation isn't our strong suit," he admits.

For now, purchasing will slow down, Miles adds. There are units to convert, restaurants to manage, debts to pay. Yet, one suspects that the door remains open. "We continue to look at opportunities," says Vicorp's Doane, "and we seem to see more of them all the time."

—Alexa Bell



Carlos Murphy's, one of many dinner house concepts acquired from Ralston Purina, is now a major growth vehicle.

R.J. REYNOLDS

A smooth flavor for foodservice

R.J. Reynolds Industries, Inc, (RJR), is a $13.5 billion company, perhaps best known as a worldwide leader in the tobacco segment. But the Winston-Salem, N.C., company also happens to own the largest fast food chicken chain in the world (Kentucky Fried Chicken), the fifth largest institutional feeder in the country (Service Systems Corp.), a fledgling quick service bagel restaurant group called Skolniks, and rights to one of the nation's new healthy fast food concepts (The Fresher Cooker).

Foodservice revenues (including franchise fees but excluding sales of franchises) are in the range of 10 percent of the company's total.

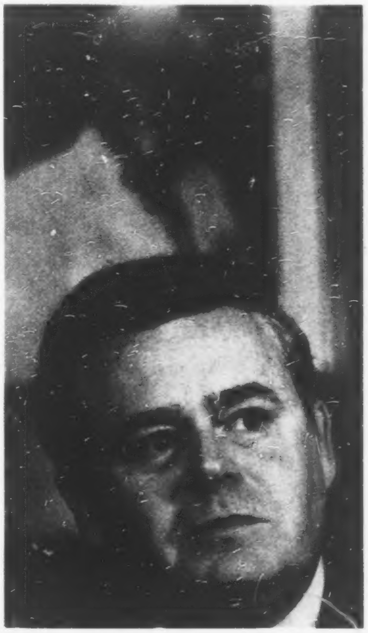
Therein lies but one aspect of RJR's multi-faceted long-term diversification strategy: entrench solidly in the growing consumer services industry through foodservice.

Make no mistake: with more than half of its net sales generated by tobacco, the company will continue to be very consumer-product oriented. Yet Reynolds has lately made several astute buys which simultaneously strengthened its presence in both products and services—Del Monte, which included Service Systems; and Heublein, parent of KFC.

Evincing further commitment to this two-pronged marketing orientation, RJR is jettisoning its non-consumer businesses. The company is in the process of spinning off its Sea-Land containerized shipping segment, and has formed a study group to examine the future of Aminoil, the tobacco giant's domestic energy company. Observers believe that, ultimately, Aminoil will be either spun off to shareholders or sold outright.

Such diversification, in addition to augmenting sales and earnings, makes the company more recession-proof. RJR's portfolio makes the company less liable to downturns in overall results. Moreover, all of its businesses are global in nature—more than one-third of its sales are generated abroad—making the parent less likely to suffer the effects of regional recession.

For example, domestic tobacco sales took a beating in 1983, when the federal excise tax on cigarettes was doubled and 14 states increased their cigarette taxes. As a result, domestic consumer volume declined about six percent.



Richard Mayer moved to KFC when Reynolds acquired former parent Heublein in 1982.

That decline, however, was offset partially by volume increases in the international side of RJR's tobacco business. And while earnings from operations dropped 2.8 percent, overall corporate income was up 5.6 percent, thanks in part to dramatic improvements in the Foods & Beverages segment, which comprises the Heublein, KFC, and Del Monte subsidiaries. (Service Systems, Skolniks, and the entity holding the rights to Fresher Cooker operate under the umbrella of another Reynolds subsidiary called R.J. Reynolds Development Corp.)

Reynolds' strategy involves plowing part of the tremendous amount of cash generated by tobacco into the company's heavy-growth Foods & Beverages businesses. Over the next three years, in fact, RJR plans to pour nearly $1 billion in capital expenditures into Del Monte, Heublein, and Kentucky Fried Chicken.

These new businesses will benefit from their parent's strengths in marketing and positioning product, particularly under newly named Reynolds chairman and chief executive officer J. Tylee Wilson, whose professional past includes a stint at mega-marketer Procter & Gamble. RJR's long and successful history of differentiating literally dozens of brands of cigarettes from each other and from the competition will be brought to bear on all its businesses.

Much of that work has already been accomplished at Del Monte, acquired in February, 1979, for about $618 million. The acquisition established the tobacco giant for the first time in canned and frozen foods, specialty groceries, fresh fruits, and—through a "back door" approach—foodservice.

Restructuring and repositioning of the new organization began almost immediately. Service Systems was split from its former parent, which became the basis of the new Foods & Beverages group. Del Monte underwent a transformation from a production-oriented to a consumer-driven business, one which RJR believes is capable of higher returns on assets. Overhead was reduced, and fresh fruit and grocery operations were strengthened. 1982 and 1983 saw the introduction of several timely new products, including reduced-calorie canned fruits and no-salt-added canned vegetables. A line of upscale frozen dinners and entrees is also being introduced; all the introductions have been accompanied by the same type of savvy marketing and advertising that Reynolds used to reserve for its smokes.

Service Systems became a cornerstone of R.J. Reynolds Development Corp., a new RJR subsidiary formed in January, 1981, to function as the entrepreneurial arm of the parent. Charged with supervision of those growth-potential companies that nonetheless do not fit RJR's existing lines of business (like Service Systems), Development Corp. was also created to discover and manage new business opportunities for Reynolds.

It was through Development Corp. that Skolniks Bagel Bakery Restaurants was acquired and that an agreement was signed with Fresher Cooker. And indeed, the development arm is planned as an avenue for future diversification. According to Robert Van Camp, president and chief executive officer of Development Corp., the new subsidiary creates the "growth environment" for emerging companies which could, over time, become significant to Reynolds, or for medium-size companies without a well-defined strategic plan. Development Corp., says Van Camp., helps these companies develop strategic growth plans and execute them.

Service Systems has tripled in size in its three years under Development Corp., moving from its low-focus position at Del Monte to one of rank in its field at Reynolds. Much of this growth has come through acquisitions of its own. In January, 1982, Service Systems expanded its market in the mid-Atlantic, Northeast and Midwest with the acquisition of Stouffer Management Food Services, and a year later the company acquired Mannings Inc. in San Francisco, strengthening its presence in the Northwest and California.

Kentucky Fried Chicken
Kentucky Fried Chicken
Drive-Thru

Reynolds' capital will enable KFC to expand to nearly 8,000 units by 1988.

The 30-year-old Service Systems, which operates autonomously from its headquarters in Buffalo, New York, has a diversified base of about 1,600 accounts in 35 states. Its clients include those in education, business and industry, health and life care, and recreation.

While Service Systems was an added "dividend" in Reynolds' acquisition of Del Monte, the presence of Kentucky Fried Chicken was a powerful incentive in the purchase of Heublein, completed in August, 1982, at a total cost of $1.36 billion.

Says Van Camp: "In late 1981, Reynolds had targeted the public foodservice sector as an area to enter. The company was very committed to in-home food products through Del Monte, and to a lesser extent, to away-from-home business through Service Systems. Packaged, frozen, refrigerated, and fresh food was represented by Del Monte, and institutional foodservice was represented by Service Systems—the company was complete except for this public sector gap."

So, in addition to its entry into the lucrative $55 billion beverage alcohol market with Heublein, Reynolds got KFC, the leader in the fast food chicken segment with more than 5,700 units worldwide.

Reynolds' plans for the expansion of KFC are ambitious. In 1984, company and franchised stores both domestically and abroad will open at the rate of one every 21 hours. The international market will be exploited as never before, with about 176 of the total of 416 planned openings this year to occur outside the U.S. Reynolds' total capital commitment to KFC for 1984 is more than $168 million. In return, KFC generates tidy sales; in 1983, the chicken chain's sales increased by 18 percent to $2.6 billion, seven percentage points higher than the overall sales of the quick service restaurant segment in the U.S. KFC's real growth (sales gains after adjustments for menu price increases) has been running at five percent for five consecutive years, compared with an estimated industry average of two to three percent.

Over the next five years, about 2,200 new KFC's will open, divided almost equally between domestic and international markets; by 1988, the company expects to have nearly 7,800 units in operation around the world.

Expansion like this is one of the more obvious benefits of being acquired by a cash-rich giant like Reynolds, say KFC executives. According to chairman and chief executive officer Richard P. Mayer, who moved to KFC from Heublein following the acquisition, the combination was a particularly fortuitous one for KFC. Having recovered handily from a slump in the mid-70s by returning to fundamental quality standards in product and service, the chicken chain has been anxious to flex its muscles again.

KFC was headed into a healthy growth phase anyway, says Mayer, but Heublein could never have offered the capital expenditures of its new parent. "One reason Reynolds was attracted to Heublein was KFC," says Mayer. "Our profits actually exceed theirs, percentagewise. Foodservice was a new industry for them and they could acquire the leader in the chicken segment. They have the capital to expand at a much faster rate than Heublein could have handled. In return, we are a tremendous growth vehicle for Reynolds."

Mayer terms the acquisition a "marriage made in heaven" for other reasons as well. With headquarters in Louisville, Ky., KFC was used to operating with considerable autonomy under Connecticut-based Heublein. Under Reynolds, KFC has even more independence.

Compared to the mighty and farflung KFC, Skolniks is but a drop of water in Reynolds' ocean. But the 10-unit quick-service bagel restaurant is still very much a factor in the corporation's strategy.

Skolniks was acquired as a two-unit Philadelphia-based chain in March, 1982, and through late 1982 and 1983, the concept was expanded to 10 units and fine-tuned. Current markets include Philadelphia, Chicago, Dallas, Cincinnati, Washington, D.C., and Cherry Hill, N.J.

BAGEL HISTORY

Robert Van Camp heads an RJR arm which acquires new concepts like Skolniks.

Development Corp.'s "buy small and build big" strategy is being implemented with Skolniks, which was acquired as a way to develop expertise in the specialty foodservice business. The Skolniks acquisition—which occurred before the Heublein/KFC transaction—represented Reynolds' first foray into the public sector of foodservice.

The Skolniks concept is a simple one. All units are bagel bakeries, located in upscale malls, with both sit-down and take-out service. The decor is similar to that of a French bakery, with white-and-blue tile, plants and brass accents. The all-day menu features hot and cold sandwiches on 10 types of bagels, salads, soups, and omelets. One unit has a wine and beer license.

Skolniks is still considered a development stage company, as well as another opportunity for Reynolds to grow in foodservice. Up to 20 additional Skolniks will be built in 1984 in various markets; future expansion has yet to be determined.

Fresher Cooker is yet another restaurant opportunity for Reynolds. This spring, Development Corp. signed a franchise agreement with the Louisville-based company to open several Fresher Cooker healthy quick service restaurants in 1984. The agreement also grants Development Corp. the option to open about 225 Fresher Cookers in Florida and three other markets over the next 10 years. The Fresher Cooker concept features freshly prepared, homemade foods such as sandwiches, pastas, salads, soups, and baked potatoes served in a fast food format.

Reynolds will continue to find new opportunities in add-on acquisitions (such as Del Monte's recent purchase of Canada Dry) and through the activities of Development Corp. Additional major acquisitions, such as those of Heublein and Del Monte which positioned Reynolds solidly in the food, beverage and foodservice industries, are less likely in the short-term.

—Joan Lang

Following the leaders

Below is a select group of movers and shakers maneuvering for growth via mergers and/or acquisitions. The chart traces activity from February 1979 through June 1984 and was compiled by *Restaurant Business* and The Food Institute.

Parent/subsidiary	Date of acquisition	Value of transaction (in millions)	Fiscal '83 revenues (in millions)	Comment
ALLEGHENY BEVERAGE CORPORATION Food Service Management Inc.	1/84	undisclosed	$526.1 undisclosed	An ABC foodservice subsidiary, The Macke Company, bought Food Service Management, a commercial contract caterer based in St. Louis, as a geographical complement to its earlier acquisition of Ed-American Food-service Inc., Kansas City, KS.
ARTHUR TREACHER'S INC. Arthur Treacher's Fish & Chips	2/84	$ 2.0	7.5	Through a series of transactions with various non-operating entities, the one-time seafood segment leader emerged from bankruptcy as Arthur Treacher's Inc., a publicly held Utah corporation with headquarters in Ohio. The company now expects to open new units for the first time in years in the Cleveland and D.C. areas.
BAY BOTTLERS INC. Magic Pan International Inc.	6/82	10.0	110.0 70.0	Magic Pan was a good fit for this Oakland-based bottling company looking for a sturdy, non-franchised concept through which to enter the restaurant business. Bay Bottlers is looking for more chains to buy, in order to grow to 250-300 units (from a current base of 78) by 1990.
BRIGHAM'S INC. Brigham's	4/82	undisclosed	30.0	Jewel Companies sold Brigham's as part of ongoing consolidation to former Brigham's president Richard Johnson (then president of Hickory Farms). Johnson now claims a 25 percent sales increase with no new units, partially due to current ice cream boom.
CHURCH'S FRIED CHICKEN INC. Ron's Krispy Fried Chicken Inc.	9/83	7.5	464.1 20.0*	Comparatively upscale Ron's provided Church's with quick penetration of eastern Texas market (lost when KFC purchased Church's Houston franchisee) and a way to test a higher priced menu format. Existing Church's in area have been converted into Ron's.
COLLINS FOODS INT'L. INC. Gino's East	11/83	2.5	325.4 4.2	Established Chicago pizzeria gives company a product and name to develop its own concept on. Australia will be developed to compete with Pizza Hut. First U.S. openings have been in Cal., where company is based.
DENNY'S INC. El Pollo Loco	10/83	11.3	1,054.6 15.2*	Acquisition secured worldwide rights, excluding Mexico, to the Mexican-style charbroiled chicken concept, along with all 19 U.S. locations. Additionally, since 1982 company has purchased over 200 locations from competitors for Denny's conversions.
DIVERSIFOODS INC. Chart House Inc. Godfather's Pizza Inc.	 12/83 12/83	308.0	484.0 367.0 117.0	Merger of Chart House and Godfather's resulted in formation of new company, Diversifoods. Company operates five different concepts currently, primarily beef-related, and is considering further concept development or purchases. Main concentration now is developing Godfather's and Luther's Bar-B-Que concepts. Luther's was acquired by Chart House in 1981.

**Estimated by* Restaurant Business

Following the leaders *continued from page 169*

Parent/subsidiary	Date of acquisition	Value of transaction (in millions)	Fiscal '83 revenues (in millions)	Comment
GARCIA'S OF SCOTSDALE INC. Famous Restaurants Inc.	 2/84	 7.2	36.0 7.0	Capital-short Famous was considering a public offering to fuel expansion when Garcia's acquired it. Garcia's on its part sought entry into burgeoning grilled fish market. Since acquisition, Famous's Pacific Fish Company concept has doubled to 6 units; more construction is underway.
THE HORN & HARDART COMPANY Bojangles of America Inc.	 12/81	 10.4	339.0 68.0	Essentially a franchisee and mail order company, H&H wanted its own concept to franchise. Bojangles consisted of under 50 units at acquisition, was up to 220 in '83 and 200 openings are planned this year. Future H&H growth will be through acquisition of foodservice and mail order companies.
HUNGRY TIGER Lobster House Inc.	 3/83	 5.0	63.8 15.2	Four years after acquisition of quick-service Breakers concept, HT purchased multi-concept Lobster House's 13 restaurants to continue pattern of growth through acquisition. Since acquisition, HT sold two units, converted three to Breakers, and began one new concept construction.
INT'L. DAIRY QUEEN INC. Golden Skillet Int'l. Inc.	 12/81	 undisclosed	117.0 1.8*	IDQ sought diversification through acquisition of chains which are, like itself, franchised only, and which have substantial geographic representaton.
KELLY-JOHNSTON ENTERPRISES Duff's Enterprises Inc.	 8/83	 18.0	40.9 51.5	Company, built as largest Chi-Chi's franchisee, chose diversification. Duff's move positioned company as franchisor for first time. K-J acquired single-unit Joe Kelly's dinner house the same year, and is franchising.
K MART CORPORATION Furrs Cafeterias Bishop Buffets Inc.	 5/80 12/83	 70.0 29.0	*18,878.9* *undisclosed* *18.6*	K Mart's move into cafeterias allows it to use its own similar management systems as well as to grow into new markets. An attempt to acquire Associated Hosts (hotels and theme restaurants) failed earlier this year, but K Mart is still looking.
KRYSTAL CORPORATION Po Folks Inc.	 10/82	 4.2	undisclosed 13.5	This regional chain had been unsuccessful in its goal of bringing its own hamburger concept national. Acquisition of Po Folks, a down-home Southern concept, gave it the vehicle for nationwide development. Company owned 12 units and licensed 70 at '83-end.
MARRIOTT CORPORATION Gino's Inc. Host International Inc.	 2/82 3/82	 48.0 148.8	3,000.0 NA undisclosed	Gino's units were converted to Roy Rogers, substantially boosting RR's presence in northeast. Host acquisition boosted airport foodservice business, and added four hotels, 49 specialty restaurants, and 77 gift shops to Marriott.
MORRISON INC. Ruby Tuesday L&N Fishmarket	 4/82 4/82	 15.0 undisclosed	422.0 29.0* 3.0*	Determined to diversify, Morrison purchased two concepts with lower start-up costs and higher returns on investment than its cafeterias. To avoid saturation in its cafeteria segment, bulk of company's expansion will be through these and possible other acquisitions.
OGDEN CORPORATION Air La Carte	 5/84	 undisclosed	2,000.0 40.0	Integrated with Ogden's $60 million/year Travel Services division, Air La Carte added additional business in a six-city growth area and in South American and Pacific markets.
PEOPLE'S RESTAURANTS INC. Pané Vino	 4/83	 1.5	27.3 0.175	Acquisition of this single upscale Italian dinner house gave company growth-potential concept which could also be developed in same malls as its Michael's retail stores and People's restaurants.
THE PILLSBURY COMPANY Haagen-Dazs Ice Cream	 7/83	 75.0	3,700.0 76.0	Purchase of ice cream retail product/dipping store chain fit company's strategy of acquiring at least six small companies per year. Ice cream segment growing, and Pillsbury sees further potential. In June '84, Pillsbury agreed to purchase N.Y.-based Sedutto Ice Cream Corp.

**Estimated by* Restaurant Business

continued on page 173

Parent/subsidiary	Date of acquisition	Value of transaction (in millions)	Fiscal '83 revenues (in millions)	Comment
PONDEROSA INC.			385.1	Mexican concept appeals to different clientele, and is not as susceptible to beef prices as steak houses. Concept can also be licensed to current Ponderosa franchisees. At acquisition, concept was viewed as a conversion vehicle for underperforming steakhouses, but success of new salad bar has made conversion unnecessary.
Casa Lupita	4/82	undisclosed	0.838	
RAINS INTERNATIONAL INC.			—	Some complications: In 1982, franchisee Harley Hotels, recently purchased by Harry Helmsley, bought out parent Dutch Pantry. By Dec. '83 Harley wanted out. Sold DP and institutional food line Kemberling Foods to new company Rains Int'l., formed specifically to make acquisition.
Dutch Pantry Inc.	12/83	undisclosed	30.0	
RESTAURANT ASSOCIATES INDUSTRIES INC.			141.1	RA acquired 40 percent interest in Acapulco y Los Arcos after collapse of possible joint venture involving introduction of L.A.-based Tex-Mex chain in the East. Desiring a West Coast equity position, RA bought out founder Ray Marshall among others. For now, growth will retain western focus.
Acapulco Restaurants	12/83	9.0	37.9	
R.J. REYNOLDS INDUSTRIES INC.			13,533.0	Acquisitions strengthened company in consumer products and services sectors. With Del Monte, Reynolds entered food business and got contract feeder Service Systems as added bonus. Heublein acquisition placed Reynolds in beverage alcohol business and also included 6,600-unit Kentucky Fried Chicken chain.
Del Monte Corp.	2/79	618.0	undisclosed	
Skolniks Bagel Bakery	3/82	undisclosed	undisclosed	
Heublein Inc.	8/82	1,360.0	undisclosed	
SAGA CORPORATION			979.0	Acquisition of upscale chicken chain gave company expansion vehicle able to function with autonomy and little modification. Spoons move followed failed attempt to acquire Chili's, and marked company's entry into upscale burger segment.
Grandy's Inc.	7/83	66.0	27.0	
Spoons Restaurants Inc.	8/83	3.0	5.0	
SHAKEY'S INC.			—	Unhappy franchisees encouraged former owner Hunt Int'l. to sell. When prospective deal fell through, franchisees Gary Brown and Jay Halverson purchased 54 percent of company through leveraged buy out, with USA Cafes acquiring another 36 percent. Currently planned: divestment of company-owned units.
Shakey's Inc. (division of Hunt Int'l)	1/84	17.0	20.2	
SHONEY'S INC.			397.8	Acquisition dissolved Shoney's relationship with Kentucky Fried Chicken as a 22-unit franchisee, and opened way for company to develop national chicken chain of its own. In '83 company licensed 215 stores and owned 15. This year Shoney's split with Marriott Corp. as Big Boy system's largest franchisee.
Famous Recipe Fried Chicken Inc.	10/81	2.2	7.2*	
TENLY ENTERPRISES INC.				Private investors purchased 110-unit steakhouse chain and one theme restaurant from ready-to-sell Marriott Corp. Tenley immediately disposed of 35 Rustlers in West and is concentrating on eastern penetration. Moderate expansion of steakhouse planned.
Rustler Steakhouses	5/83	undisclosed	60.0	
VICORP RESTAURANTS INC.			95.6	Poppin' Fresh (now Baker's Square) move complemented company's Village Inn breakfast concept. Disappointed with own test dinner house concepts, Vicorp acquired successful CRS chain for expansion; soon added Perfect Pan to this division. In June '84 bought 183 Seasons Restaurants from Sambo's for 62.5 million. Will convert into Baker's Squares.
Poppin' Fresh Pies Inc.	5/83	38.0	61.0	
Continental Restaurant Systems	2/84	60.0	133.0	
The Perfect Pan Inc.	6/84	3.4	7.0	
W.R. GRACE & COMPANY			6,200.0	Fast food division zeroed in on "adult fast food" market. Applebee's fills middle ground between fast food and full service. Bought 2 units, now up to 6. Since purchasing profitable Gladstone's 4 Fish and R.J.'s—The Rib Place, Grace has been converting substandard units from its dinner house chains into these concepts.
T.J. Applebee's	4/83	undisclosed	2.8*	
Mor Food 'n Fun	5/83	undisclosed	14.0*	

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Restaurant Business

SEPTEMBER 20, 1984

17th Annual Restaurant Growth Index page 119

Davre's of ARA page 92

Soups & Stews page 23[illegible]

LATELINE page 2[illegible]3

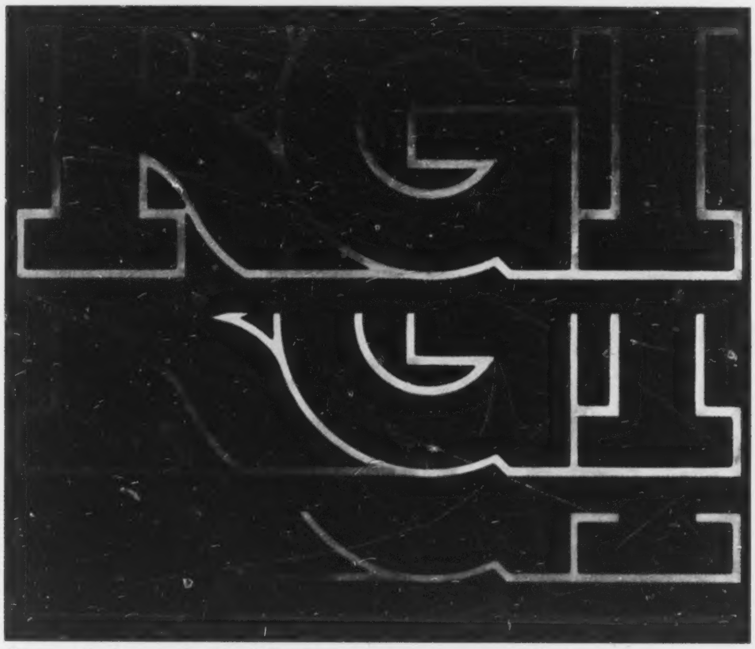
Restaurant Business

September 20, 1984 VOL. 83, NO. 14

Contents

COVER STORY

17th Annual Restaurant Growth Index



Our exclusive analysis of the foodservice industry includes reports on trends, sales, purchases and growth projections for eight major market and 38 sub-market segments as well as a statistical profile of the nation's 316 metro areas, 211 ADIs, and the Top 100 market rankings 119

MENU IDEAS

Soups, stews and casseroles
Super soups, sumptuous stews and classy casseroles were developed this month by Kathleen Kenny Sanderson in the Restaurant Business Test Kitchen. Don't miss this selection of tempting recipes which are excellent menu additions for eat-in or take-out, both standing on their own or serving as exciting complements to entrees. 233

FEATURES

ARA/Davre's
This Philadelphia-based contractor is high on Chicago's 95th as well as its other luxury restaurants.................... 92

The Seelbach
Working the back-of-the-house of a busy hotel can be an exciting and rewarding experience as RB food editor Kathleen Sanderson experienced recently at this popular property in Louisville.................... 106

Tark's
What began as a "clam stand" 18 years ago is now a nine unit chain in South Florida attracting locals with its good food and informality. Simple clams, oysters, and chicken wings attract an eclectic mix of repeat customers........ 241

DEPARTMENTS

Sanitation Tips 2

RB Insights 12

RGI Spotlight: Omaha 14

Editorial
Easing the elderly's climb 20

Up Front 24

Menu Planners Guide 60

Trade Quotes 76

Personal Finance
Stock prices and election years .. 80

Management Psychology
Rallying support for change 82

Sanitation
Maintaining employee interest .. 88

Raising Your Equipment I.Q.
A case for displays 220

Drafts, Carafes & Spirits
Warm-up with whiskey 227

Bar Management Guide 230

Restaurant Stirrings 244

Buyer's Circle 248
The latest in equipment

Classifieds.................. 266

Calendar 272

Lateline..................... 273

RB Eyes Washington......... 276

Restaurant Openings 278

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Assisted by Kathy Seibert

17th Annual Restaurant Growth Index

RGI

The 17th Annual Restaurant Growth Index (RGI) is our exclusive analysis of the foodservice industry published each September. It begins with a comprehensive report of the important trends including sales, purchase, and real growth data in eight major market segments—separate eating and drinking places, hotel/motel, transportation, leisure, retail, business and industry, student and health care—and 38 sub-market segments. Following this study on page 178 is our statistical profile of the nation's 315 metropolitan areas and 211 ADIs.

In this year's edition of the Restaurant Growth Index (RGI), we provide hard data for 1982, best estimates for 1983 (the last full year), and a five year projection to 1988 for planning purposes.

This year, we are receiving the benefit of preliminary results from the 1982 Census of Retail Trade. Not all market segments have been released yet, but we have made revisions in our data to conform to the Census data. There will be further revisions next year when final reports are issued for all segments and merchandise line percents are refined by the issuance of actual dollar volume figures.

We have made revisions to full menu restaurants, limited menu restaurants, drinking places, hotels/motels (very preliminary data for the whole category was available which raised the sales figure by 3.4 percent annually for 1977-1982 so we made preliminary adjustments which will be revised by category when the final report is issued), bowling lanes, variety and general stores, gasoline service stations (in other specialized retail stores), drug and proprietary stores. In reviewing the estimates for 1982 versus 1977, we are quite pleased with the results. We were only 1.77 percent per year off for full menu restaurants and only 0.8 percent per year low for limited menu restaurants. We were 1.99 percent per year too high for drug and proprietary stores. Variety and general was off substantially, being too high by 6.2 percent. The merchandise line proportion declined from 4.5 percent to 3.1 percent, a 31.1 percent decline.

Foodservice sales in 1983 increased 7.8 percent to a total of 150 billion. This is a conservative figure as it does not include a commercial equivalent dollar volume for military feeding (troop feeding) or school foodservice (we count as actual sales only cash paid by the students); and it does not include vended can soft drinks, bottled soft drinks or vended candy. We show only food and beverage (alcoholic and non-alcoholic) sales for establishments with payroll only. In separate eating places, we are 3.8 percent below the maximum possible if we include all sales including tobacco and establishments without payroll.

If we adjust our figures to reflect the higher values generated by the addition of military and school foodservice commercial equivalents and the additional volume in vending categories not originally included, we would show industry sales $17.2 billion higher, for a new total of $167.7 billion. This total is 11.4 percent higher than our basic estimates.

In our view, these adjustments are not valid because they produce a result which is in turn inflated (military and school feeding), and not comparable (candy sales are not included in the Census of Retail Trade's merchandise line for meals and snacks or alcoholic beverages). In the case of can and bottle soft drinks through vending machines, they are sold through a restricted

Foodservice Industry Summary

	1982 Sales ($000,000)	1982 Purchases* ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales ($000,000)	%Compound AnnualGrowth	
								Nominal	Real
[illegible]	139,660	59,421	6.4	150,500	63,590	7.8	215,726	7.5	2.8
[illegible]	119,214	46,019	6.6	129,657	49,850	8.8	187,782	7.7	3.0
[illegible]	19,732	11,362	5.6	20,843	11,645	5.6	26,897	5.2	0.7
[illegible]	714	2,040	7.5	772	2,095	8.2	1,047	6.3	1.7
[illegible]	93,232	33,093	7.5	101,688	36,085	9.1	148,241	7.8	3.2
[illegible]	85,330	30,259	7.8	93,351	33,095	9.4	138,254	8.2	3.5
[illegible]	45,436	16,487	6.9	49,422	17,933	8.8	69,984	7.2	2.6
[illegible]	35,142	12,121	9.4	38,832	13,394	10.5	61,214	9.5	4.8
[illegible]	8,632	2,830	2.2	9,359	3,068	8.4	13,076	6.9	2.3
[illegible]	2,073	906	5.4	2,306	1,008	11.2	3,515	8.8	4.1
[illegible]	2,850	1,030	6.0	3,059	1,103	7.3	4,400	7.5	2.9
[illegible]	3,956	1,417	4.4	4,228	1,514	6.9	6,246	8.1	3.4
[illegible]	7,875	8,632	-1.1	8,343	9,037	5.9	11,189	6.0	1.5
[illegible]	7,374	4,803	8.0	7,836	4,705	6.3	9,410	3.7	-0.8
[illegible]	11,335	5,497	6.6	11,963	5,798	5.5	16,157	6.2	1.6

** Purchases include all food, nonalcoholic, and alcoholic beverages (does not include equipment or supplies).*
*** Sales data based on post exchanges and clubs; purchase data based on post exchanges, clubs & troop feeding.*

Note: Full menu restaurant and limited menu restaurant sales are included in eating place sales. Eating place sales in turn are included in eating and drinking place sales and should not be added with other major market segments to arrive at total market sales.

wholesale distribution network.

For 1988, we project foodservice sales of $215.7 billion, the first time over $200 billion. This is a gain of $65.2 billion for the five year period. This is a compound annual growth of 7.47 percent or a total growth of 43.34 percent.

Real growth will account for 34.5 percent of the total gain or $22.5 billion. This is roughly comparable to the 1982-1987 period. Actually, we are doing better because the gains of 1983 were very strong because of the very weak 1982 results.

We are still faced with a situation where 65.5 percent of sales gains are eaten up in inflation. This, in spite of a moderation in menu inflation of 0.67 points from the 1982-87 period.

It doesn't appear very likely that inflation will come down very much from the 1983-1988 estimate of 4.51 percent for menu prices. Thus, inflation, which is a great thief, is now at a base level. But, it has not stabilized at a point where there are enough increases to offset mistakes.

As the inflation rate stabilizes, the nominal rate is greatly reduced. This year's forecast 1983-1988 of nominal growth at 7.5 percent is 0.8 percentage points lower than last year while real growth at 2.8 percent is only 0.2 points lower than last year's 1982-1987 forecast.

The basic demand for eating away from home in spite of declining value versus at home eating is still unsatisfied. Longitudinal studies done for the National Restaurant Association by the Gallup organization still find that the customer traffic would rise by about one-third if people could eat out as often as they liked. The deterring factor was lack of money. Because of increasing commitment to homes and cars and other high ticket items, the installment and mortgage debt monthly charges are up and have had a negative impact on dinner houses in the $10 per person price range.

Fast food restaurants have been the beneficiaries of the diverted traffic. With people feeling better because they have a job and think they will have one for a while, the fast food traffic frequency has risen.

Industry Real Growth Summary

	1982 Real GrowthRate	1983 Real GrowthRate	1983-1988• RealCompound AnnualGrowth
Total Market	1.2	3.6	2.8
Commercial/Contract	1.3	4.2	3.0
Institutional/Internal	0.4	0.6	0.7
Military	2.2	3.8	1.7
MAJOR MARKET SEGMENTS:			
Eating/Drinking Places	2.2	4.7	3.2
Eating Places	2.5	5.0	3.5
Full Menu Restaurants & Lunchrooms	1.6	4.4	2.6
Limited Menu Restaurants	4.1	6.1	4.8
Hotel/Motel Market	-3.1	4.0	2.3
Transportation Market	4.0	6.8	4.1
Leisure Market	0.7	2.9	2.9
Retail Market	-0.9	2.5	3.4
Business/Industrial Market	-6.2	2.0	1.5
Student Market	-2.8	-2.0	-0.8
Health Care Market	3.6	1.6	1.6

Real personal income will grow at a compound annual rate of 2.6 percent for the time period 1983-1988. We have set eating place sales gain (real) at 3.5 percent, which is 0.9 points higher than the gain in income. This is the same basic level as last year, and is an optimistic view.

The market will be more fragmented with operators looking for niches which at the moment center around limited menu adult restaurants with alcohol and a check average not over $6.50 per person. This is a result of the demographic shift to an older customer and a great need and demand for convenience. Take-out has expanded, particularly the neighborhood gourmet take-out.

Since incomes are not expanding at a rapid pace, value will be even more important to the customer.

The marketing focus has stayed on meal periods and new items to stimulate traffic.

Regional variations in performance will increase. When we get the 1982 Census of Retail Trade final data, we will analyze those differences. It seems likely that some areas which have been hard hit economically will bottom out and rebound, but not as vigorously as the rest of the country.

In summary, the commercial/contract component of the foodservice industry will grow at a 3.0 percent real rate, down from 3.5 percent for 1982-1987 due to a reduced gain in real income, and a moderate growth in manufacturing. The institutional/internal group will grow slowly at 0.7 percent, which is an improvement from 0.4 percent due to increasing enrollment at schools and a lessening in the rate of decline in participation in school lunch as the main decreases have nearly worked their way through the system. □

This summary was prepared by RBI Research and Malcolm M. Knapp, president of Malcolm M. Knapp, Inc., New York. The 1982 sales and purchases data used in this eight major market and 38 sub market growth report were prepared by Mr. Knapp under contract with the National Restaurant Association. Estimates for 1983, and projections to 1988 were prepared specifically for Restaurant Business Magazine.

Separate Eating & Drinking Places

Operators in the separate eating and drinking place segment seem to be unrelentingly optimistic. Chains and independents alike are opening new units, launching new concepts, and in some cases increasing franchising. All the while, they are continuing efforts to increase customer counts.

This has been a year of stepped-up acquisitions, with large foodservice companies buying smaller foodservice firms to diversify and broaden their market bases, unlike past periods of acquisition when non-related conglomerates bought into the business in a big way, or foodservice giants bought other foodservice giants.

Fast food

Because grown-up baby boomers' tastes have matured, they demand pleasant surroundings when they eat out. As a result, the trend to eschew utilitarian plastic and to upgrade fast food decor continues. Wendy's recently announced the addition of greenhouse extensions to 200 company-owned units. Burger King also continues its general upgrading, using more natural woods, natural tile floors, and brass accessories.

Del Taco Corp., part of W.R. Grace's fast food division, is converting units to a Del Taco Mexican Cafe concept. Atmosphere is now more similar to a family restaurant than to a typical fast food unit.

Along with upgraded decor come upgraded, expanded menus and emphasis on additional day-parts. At Del Taco, that means dinner platters with rice and beans to build evening business, as well as a Mexican breakfast for morning business.

The hamburger giants, too, are emphasizing expanded menus and additional day-parts. Wendy's, of course, made history with its rollout this year of stuffed baked potatoes and now sells 600,000 potatoes a day—making it the largest restaurant purveyor of baked potatoes in the world. Wendy's also will begin serving breakfast in 1,500 of its 2,800 units by the end of this year.

Burger King, too, continues to experiment with breakfast, with the croissant sandwich the leading contender for eventual chainwide rollout. Arby's rolled out a croissant breakfast early in 1984.

An important trend emerging among burger restaurants is the introduction of late-night hours for drive-through windows. Both Wendy's and Burger King are closing dining room service but continuing to operate drive-through windows until 3 or 4 a.m. in appropriate markets.

Nutrition continues to be an important issue throughout the segment. As new chains like D'Lites emerge to cater to the diet-conscious, fast food giants market their salad bars. Wendy's is even testing a "Light Side" menu, which includes tuna salad with tomato wedges, cottage cheese salad with tomato wedges, and the option of a wheat bun with any sandwich.

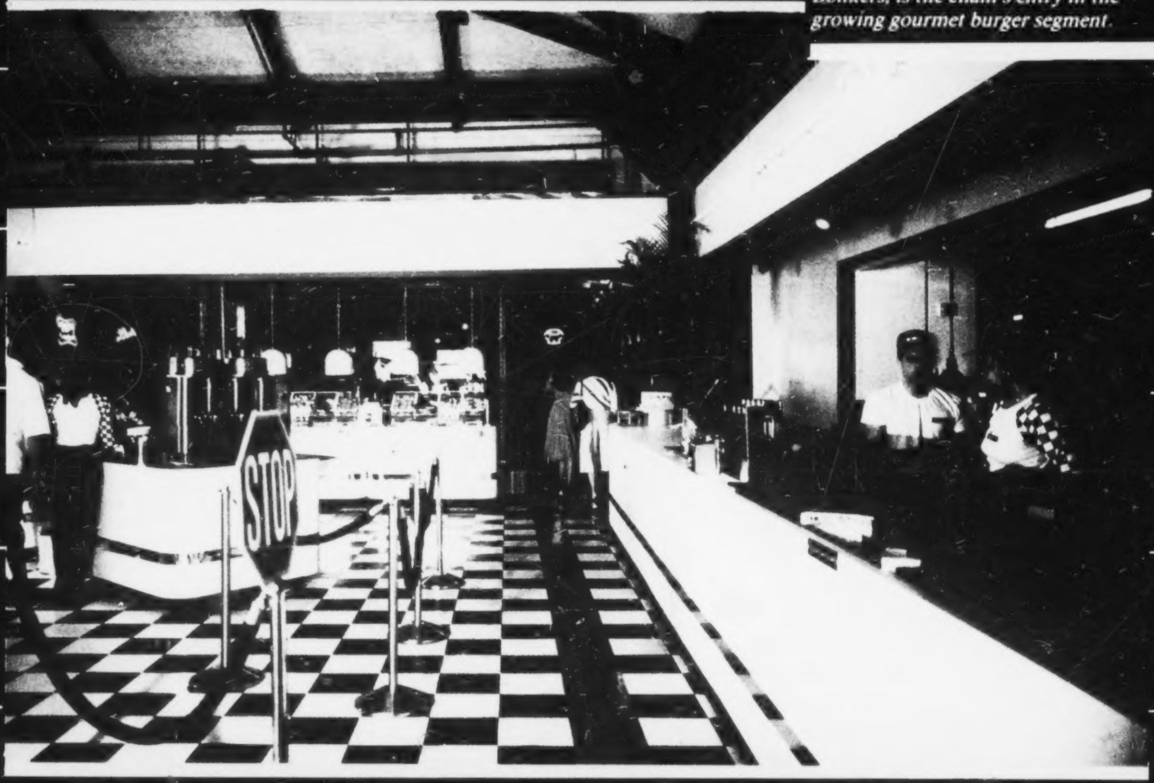
Taco Bell this year introduced its Taco Lite to appeal to the weight-conscious, and both Carl's Jr., and McDonald's offer booklets showing nutritional breakdowns and offering tips on good nutrition.

As far as expansion, a generally favorable economic climate has caused an increase in new unit openings. Wendy's plans to open 4,000 units (275 this year, 350 next year, and 400 each year thereafter) by 1988. And, as a result of its first franchising program, Carl's Jr. is expanding into new markets from its Southern California stronghold, planning to add over 100 units in the next two years.

Burger King is pursuing a policy of penetrating unconventional locations. The company recently landed an exclusive franchise to open units on U.S. Army and Air Force bases around the world. Other unusual franchisees include F.W. Woolworth and Howard Johnson's, which is opening Burger Kings along turnpikes.

A significant trend in the fast food sub-segment is the proliferation of a variety of concepts. Infant chains such as Minneapolis-based Nankin Express, Denver-based Tokyo Bowl, San Antonio-based Quick Wok, and Miami-based Teriyaki USA (owned by Benihana) are testing the customer's appreciation of Oriental food. All are planning aggressive expansion, and Nankin Express recently signed giant International Multifoods, operator of 950-unit Mr. Donut, as a franchisee with development rights for the eastern U.S. and Japan.

Other new fast food concepts are Denny's El Pollo Loco, serving marinated, grilled chicken; and the Fresher Cooker, serving freshly prepared foods including pasta, sandwiches, soups, salads, and vegetables. R.J. Reynolds Development Corp. recently signed an agreement to open some 225 Fresher Cooker



Victoria Station's new concept. Bonkers, is the chain's entry in the growing gourmet burger segment.

1982: $93,232,000,000 + 7.5% Sales Growth

1983: $101,688,000,000 + 9.1% Sales Growth

1988: $148,241,000,000 + 7.8% Compound Annual Sales Growth

Separate Eating and Drinking Places

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Separate Eating Places	85,330	30,259	7.8	93,351	33,095	9.4	138,254	8.2	3.5
Full Menu Restaurants & Lunch Rooms	45,436	16,487	6.9	49,422	17,933	8.8	69,984	7.2	2.6
Limited Menu Restaurants	35,142	12,121	9.4	38,832	13,394	10.5	61,214	9.5	4.8
Public Cafeterias	2,413	884	4.2	2,589	948	7.3	3,582	6.7	2.1
Social Caterers	814	307	1.0	837	316	2.8	936	2.3	-2.1
Ice Cream, Frozen Custard Stands	1,525	460	7.4	1,671	504	9.6	2,535	8.7	4.0
Bars & Taverns	7,902	2,834	5.0	8,337	2,990	5.5	9,987	3.7	-0.8
Total	93,232	33,093	7.5	101,688	36,085	9.1	148,241	7.8	3.2

GENERAL MEATS
Fresh Ground Beef

Seattle-based Flakey Jakes (below) promotes freshly ground beef on-premise. The Sea Grill at Rockefeller Center is part of a new complex of restaurants opened recently by Restaurant Associates.

units over the next 10 years.

Mid-price and family restaurants

Long the province of coffee shop chains, budget steakhouses, and small family restaurants, this segment has been buffeted as consumer tastes have changed. Now the sector is seeing almost incredible activity. Some of the industry's hottest new concepts—in the eyes of both the public and Wall Street—are vying for attention.

A new kind of restaurant is trying to combine salient characteristics of both fast food and theme restaurants, thus carving out a new market niche between the two. Loosely grouped as "gourmet burger" concepts, the restaurants offer fast service and a low check average (usually about $5) with the kind of atmosphere more characteristic of a theme restaurant, full liquor service, and high food quality, all leading to a customer perception of a good price/value relationship.

Everybody, it seems, wants in on the action. Pillsbury, owner of Burger King, has introduced J.J. Muggs. Saga Corp. acquired five-unit Spoons last August. Diversifoods, operator of Chart House, Godfather's Pizza and Luther's, and a major Burger King franchisee, has Moxie's. Pizza Inn is expanding J.T. McCord's. Victoria Station has opened Bonkers. Sea Galley Inns has Flakey Jake's. New York City-based Beefsteak Charlie's is converting some of its units to a concept called Daly's Dandelion; and Magic Pan is expanding its offering, Laredo's. Greyhound Corp. recently announced plans to expand a concept called T. Twiggs.

Independent chains are proliferating as well. National attention first focused on the phenomenon when Norman Brinker, then president of Pillsbury's restaurant group, left his post to take over Chili's. Another company, much-copied Dallas-based Fuddrucker's, is holding its own against all comers, and Bojangles' (upscale chicken) co-founder Richard Thomas has opened R. Thomas Hamburger Cafe with the intention of expanding.

Offering broader menus but tapping the same market for the same reasons are T.J. Applebee's, operated by W.R. Grace's fast food division; and Ed Debevic's Short Order Deluxe, a joint venture between Collins Foods, Phoenix-based Big Four Restaurants, and Chicago-based Lettuce Entertain You Enterprises.

On the surface they couldn't seem more different, but today's popular "country" or "down home" concepts are expanding for some of the same reasons as gourmet burger restaurants.

"Our research showed us that people are 'eating out' more and 'dining out' less," says Dave

Grady's Good Times, in Knoxville, has combined major menu trends popularized by many of the nation's theme restaurants.

McKenzie, vice president of Southern Hospitality, which this year launched a home-cooking concept called Southern Cooker. "They are looking for good food at a good price, and there was really a whole market niche not being served."

Southern Cooker offers a broad menu of light entrees, sandwiches, and specialties including barbecued chicken, chicken—fried steak, pot roast, meat loaf, and catfish, each served with rolls, cornbread, and a choice of two vegetables from a long list. Highest price is $5.95 for marinated strip steak.

All of these "gourmet burger" and "down home" concepts emphasize fresh, high quality food.

Gilbert/Robinson, operator of Houlihan's, Bristol Bar & Grill, and Fedora, is also testing a new country concept in St. Louis called Lucille's Country DinnerHouse. Opened this July, the restaurant features generous family-style portions of favorites like fried chicken, green beans, biscuits, fresh-whipped potatoes, and peach cobbler.

Po Folks continues to expand with its country-style decor and family-style menus, opening its 100th unit recently, while two-unit Zackly's in Tampa, Florida, is eager to expand. Other chains in the family segment are Jimmy Dean Restaurants and Bob Evans Farms, both based in Ohio.

Related to the popularity of "country cooking" is the popularity of barbecue concepts, which are expanding outside their southern base. The leader is Diversifood's Luther's, with 56 units currently open and plans for 90 openings this year, most in the latter half.

Pizza, of course, has long been a popular mid-price staple. The big news in this segment is the emergence of lunch as a significant daypart and the popularity of delivery.

Giant Pizza Hut spurred the popularity of pizza as a lunch food with the introduction of its personal pan pizza a year and a half ago, supported by massive advertising. Where the leader goes, others follow, and a number of chains have since added luncheon pizzas.

Domino's focused attention on the profitability of pizza delivery, and since then a number of operators—including Mr. Gatti's, Pizza Hut, Pizza Inn, and Godfather's—are either testing home delivery or have already introduced the service.

A new twist on home delivery is the computerized service of Pantera's Pizza, with 56 units primarily in the St. Louis area. The company is readying a centralized, computerized order system. Any St. Louis customer can call a single number, where operators will be waiting to encode orders into a computer, to be printed out at the unit closest to the customer's home. Other U.S. pizza chains are testing this computerized delivery service, which was pioneered by a pizza chain in Toronto called Pizza Pizza Ltd.

As the consumer has become increasingly nutrition-conscious over the years, a number of mid-price salad-only or soup-and-salad concepts have emerged but never established an appreciable presence in the market. Saladalley, with five units in Philadelphia, hopes to be the first.

At Saladalley, customers are shown to the table and give orders to a waitress, then help themselves to a massive salad bar featuring 40 items. Soups, running the gamut from old favorites to the exotic, include African peanut chicken, German lentil sausage, and Korean sesame beef.

Tables turn on the average of every 35 minutes, and average check is about $5. Units average $500,000 in annual sales, and customers are 60 percent female, says chairman of the board Steve Byer.

Some old-timers in this segment are sprucing up for serious competition. Among them are Howard Johnson's and Ground Round. By the end of the year, about half the 225 Ground Rounds will have a lighter, brighter look with a stand-

Gourmet burger restaurants are carving a new market niche, and it seems every one wants in on the action.

up bar and a broader menu with more salads, Mexican entrees, and pasta. Some 700 Howard Johnson's also have a new all-day menu.

Casual theme restaurants

Noisy, crowded theme restaurants serving eclectic menus are still very much in style, though there's a quiet move toward toning down the trendiness and offering more classic, sophisticated surroundings and menus—without raising prices.

Operators continue to revamp lackluster units to bring them into this category. For example, Howard Johnson's is converting some of its units to concepts called Bumbershoots and Pickle Lilly's. Bumbershoot's, opened last August in Framingham, Massachusetts, is a radical departure from a typical Howard Johnson's with a large stand-up bar, a raw bar, lots of light woods and bright fabrics, and a display of fresh produce as the customer walks in the door. Pickle Lilly's is also upbeat and bright, with a menu featuring lots of finger foods, burgers, and Mexican food.

A restaurant that epitomizes many of the food trends showing up in theme restaurants is Grady's Good Times in Knoxville, Tennessee, owned by the Regas family.

"Extras and snacks" include nachos, chips, and several Mexican dips, stuffed baked potatoes, croissants, and more. Seven salads with homemade dressings are complemented by pasta, quiche, burgers (ground fresh daily and broiled over oak and hickory charcoal), and several steak, fish, ribs, and chicken selections, many of them grilled.

One big problem mars the bright outlook for theme restaurants: the public's concerns over drunk driving. Casual theme restaurants traditionally have derived much of their profit from liquor sales, and many have aggressively promoted drinking with happy hours and two-for-one promotions.

Now, forward-looking operators are considering how they can responsibly approach the problem of drinking and driving. For instance, all Gilbert/Robinson restaurants now place a poster in a prominent place with a message urging friends to call taxis for inebriated guests.

Bartenders also are supplied with cards to hand discretely to customers, avoiding embarrassing confrontations. The cards say: "Dear customer, your safety is our concern. We feel you've had enough to drink and we cannot serve you another. Please accept a complimentary nonalcholic beverage or something to eat. Be a life saver. Don't drive intoxicated and kill yourself. WE WILL BE HAPPY TO CALL YOU A CAB. We want to see you again. Thank you for not driving under the influence of alcohol."

In a similar vein, Bennigan's has substituted a drink token for a second drink during happy hour, and TGI Friday's is actively lobbying for raising the national drinking age to 21. The company is continuing its efforts to shake a singles bar image with the introduction of Dalt's, a '40s-style bar-and-grill concept with the bar de-emphasized.

Upscale restaurants

Today's customer is ready to take chances, to experiment, to embrace and even to invent new kinds of cuisine. As a result, upscale restaurants are thriving in the U.S., and "The New American Cuisine," as it has been dubbed, is making American chefs celebrities.

This cuisine grew out of France's radical Nouvelle Cuisine, which was adapted by newly confident American chefs who started emphasizing indigenous products, trying out new combinations of ingredients, lightly cooking fish and vegetables, lightening sauces, and stressing the quality of raw materials and beauty of presentation.

Sometimes "The New American Cuisine" emphasizes traditional, newly stylish American regional recipes (Creole, Cajun, barbecue, Southwestern, New England). An example of a company drawing upon both kinds of American cuisine—the traditional and the new—is Restaurant Associates at its $26 million restaurant complex in New York City's Rockefeller Center.

The posh Sea Grill, the American Festival Cafe, and a coffee-shop-plus carry-out called Savories all serve a variety of entrees drawing upon American ingredients and tradition.

The theme is carried out most fully in the American Festival Cafe, where a year of negotiations with the Museum of American Folk Art allowed Restaurant Associates to display a variety of folk art treasures.

Menu selections in the three restaurants range from cold corn-and-crab soup, seafood chowder, and Florida Key Lime pie to buttermilk-fried baby chicken, salamagundi salad, barbecued ribs, and sopa de tortilla.

But American cuisine isn't the only news in upscale restaurants. The explosion of concepts devoted almost entirely to seafood continues. Benihana of Tokyo recently announced a joint venture agreement to build the first "Big Splash" retail outlet/restaurant in North Miami Beach. The restaurant will accommodate over 300 diners, cost about $1.6 million to build, and command check averages between $15 and $20 per person.

Also popular are upscale ethnic eateries, particularly Oriental, Mexican, and Italian. Now, something called "La Nouvelle Cuisine Franco-Japonaise" is emerging out of California, with Los Angeles' La Petite Chaya exemplary. Celebrity chef Wolfgang Puck's newest restaurant, Chinois on Main in Santa Monica, also offers a sophisticated California/Chinese/French menu served from the display kitchen which is in itself an important design trend in theme and upscale restaurants around the country.

Chicago's Spiaggia, a Levy Organization restaurant, is an example of the very sophisticated Italian restaurants popular with upscale customers. Oak Street Beach and Lake Michigan are viewed through Spiaggia's 34-ft.-high windows that dominate the decor. The menu includes such specialties as porcini mushroom soup under puff pastry, spinach souffle lasagna, and scallion fettucini with smoked salmon.

—Jacque Kochak

The Hotel/Motel Market

The Barclay Terrace at the Inter-Continental in New York City.

Neglected in the past in favor of the seemingly recession-proof carriage trade, the mid-priced segment of the hotel industry is yielding some interesting new concepts.

Further, the robust activity in the largest segment of the lodging sector helps galvanize the hospitality industry as a whole to move out of the economic doldrums it has been experiencing. Sales growth registered a healthy 8.4 percent increase for 1983 compared with 1982.

According to Daniel R. Lee, vice president-research at Drexel, Burnham, Lambert Inc. (a New York-based investment banking firm), the lodging demand has absorbed the backlog. In a recent research report covering Hilton, Holiday Inns, Marriott and Ramada, Lee writes: "At this point, we believe lodging demand . . . is poised for a full-fledged, cyclical recovery. Occupancies, after declining for nearly four years, should begin showing strong upward trends."

Much of the action occurs in the mid-priced segment, the largest by far in the industry. Indeed, of the 2.5 million hotel rooms in the U.S. today, 1.25 million rooms comprise the mid-price market. Competition is, not surprisingly, fierce.

Illustrative of the intense jockeying for position are the recent moves by Marriott, Howard Johnson's and Holiday Inns to tap a larger portion of this undeniably lucrative market. All are seeking to capture the front running position with the introduction of new hotel "products."

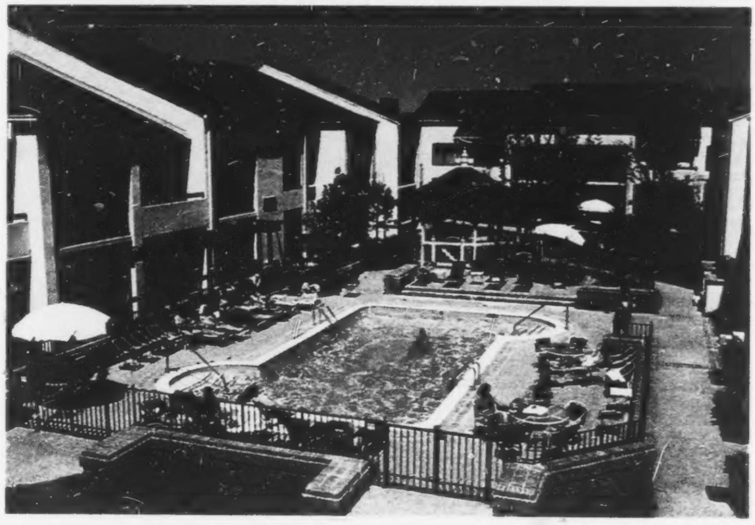
Marriott, which has registered the industry's most aggressive growth with a 20 percent increase in guest rooms per year over the last five years, describes its new concept as "solidly in the heart of the moderate segment." The Courtyard by Marriott is targeted to extend Marriott's influence in the lodging industry by allowing the chain to move into areas that could not support a traditional Marriott hotel—a property including several restaurants, a variety of lounges and amenities such as pools, health clubs and meeting facilities. The smaller Courtyards (130 to 150 rooms) charge moderate room rates ($35 to $55 daily) to support a unit which features limited meeting rooms, one 40-seat restaurant (no room service), and a small lobby lounge.

According to Craig Lambert, vice president of marketing and sales for the new division, there are currently five Courtyards operating in Georgia. Ambitious expansion plans call for 20 to 30 units to open by the end of 1985 (primarily in the Northeast corridor) and a minimum of 300 units by the early 1990s.

The company is not worried that the Courtyard—which Lambert describes as a "suburban" property—will cannibalize business from its traditional hotels. In fact, Lambert points out that the chain purposely built the Courtyards in Atlanta in close proximity to Marriott hotels.

In a move designed to create another vehicle for growth in the moderate segment it once dominated, the Howard Johnson Company will expand with its new line of properties called Plaza-Hotels. According to Manuel Ferris, president of the new division, these "full service" properties will complement the road-side motor inns which are the core group for the chain. Similar to Marriott Courtyard properties, Howard Johnson's mid-priced, full service hotels include only one restaurant and one lounge. (The single restaurant is described as "first class but not gourmet.") However, unlike the Courtyard by Marriott the Plaza-Hotels do provide sizable meeting and convention facilities as well as separate "Executive Sections."

Marriott's Courtyard (below) is the chain's entry in the mid-priced sector. The Fifth Season (r.), one of three restaurants at the Amfac Hotel in Minneapolis.



Properties will be located in city centers and airports. Their moderate rates ($40 to $60) are targeted to attract business travelers.

There are three units now open and three properties scheduled to open in the near future. Within five years there will be 70 to 90 hotels in the new group—30 to 40 of the hotels will be company owned and an additional 30 to 40 will be offered to existing licensees.

Holiday Inns Inc., the largest lodging chain, is, according to investment banking analyst Lee, adopting a "Procter & Gamble" approach to the hotel business. Indeed, as the traditional Holiday Inn system nears saturation in this country, it is successfully developing separate chains to encompass both the high (Embassy Suites) and low (Hampton Inn) ends of the business while extending its influence in the mid-priced segment (the core Holiday Inn hotels). Its Crowne Plaza hotels operate at the upper end of the mid-price scale.

Accordingly, the company has changed its philosophical and operational stance by shifting from a strong centralized staff function to a decentralized field.

According to Tim Craig, director of food and beverage development for the 143 company-owned/operated properties, the Memphis home office will offer strong support in terms of menu and promotional development and will provide a master recipe file. However, local management will be responsible for evaluating, identifying and defining food and beverage opportunities that will be successful in each locale. Craig sees Holiday Inns' properties following significant restaurant trends but refining and modifying them to yield the greatest guest satisfaction.

As part of this decentralization, the Pipers restaurant concept is being phased out. "You can't force feed a cookie cutter restaurant down people's throats from Memphis to Atlanta," he emphasizes. While he admits that a key to the chain's success has been of standardization in rooms, "the same person who applauds standardization of rooms does not like it in foodservice."

The company's 10 Crowne Plaza properties attract the business traveler with additional amenities such as two restaurants. Explains Franz Viertbauer, director of food and beverage for Crowne Plaza hotels: "In each hotel there are two restaurants. The first is a cafe/bistro, a multipurpose restaurant. The second is a signature operation which offers a fine dining experience."

These upscale restaurants incorporate local influences. For example, in Los Angeles, the fine dining room combines California cuisine with nouvelle overtones while the Miami signature restaurants reflects the South American influence.

One of the newest ventures of Holiday Inns is the Hampton Inn concept, targeted to attract the budget minded consumer. There are no restaurants at these properties (the first of which opened in August) and as a result Hampton Inns are located near to at least two freestanding restaurants. (One of which may be a Perkins restaurant—another subsidiary of Holiday Inns Inc.)

While these chains battle for a larger segment of the mid-priced market, upscale hotel companies are involved in some belt tightening measures. Part of the problem lies in the disappointing performance of properties in overbuilt cities such as Houston, Boston and New Orleans. In addition, the soft economy did little to loosen tight corporate travel budgets.

According to Peter Hothorn, vice president of food and beverage for Inter-Continental Hotels, 1983 was a "rough and tumble" year. However, New York proved to be a strong performer.

At the Inter-Continental Hotel in Manhattan, the property's Barclay Terrace capitalized on the consumers' demand for healthy eating by featuring a "winning edge" menu. Developed by nutritionist Marina Polvay, the items on the menu were carefully balanced for high energy levels but low calories, cholesterol, sodium and fat. The menu includes a nutritional breakdown for concerned customers.

Amfac Hotels, a California-based chain known primarily for its resorts, opened its first property east of the Mississippi last November with the debut of a 606-room hotel in Minneapolis. The sleek property features three restaurants: Papaya's (popular priced), Gustino's (Northern Italian cuisine) and The Fifth Season (American cuisine).

"The restaurants here offer the guest a real alternative. In many hotels the restaurants compete with each other. In Minneapolis we provide three distinct dining experiences," explains Norm Rich, director of food and beverage.

While each of the restaurants features a different concept, Amfac is committed to the quality presentation of American foods. In fact, at the recent annual meeting of directors of food and beverage and executive chefs (dubbed "Great Expectations"), presentation of American cuisine was the focal point of the five day seminar.

American food and the presentation of fresh, indigenous ingredients tends to dominate hotel foodservice. Hilton International will open a new property in Kansas City at the end of the year. Like its hotels in New York and Washington D.C., the new Vista will feature a fine dining room where the accent is American. The Winston Plaza, a Stouffer Hotel, serves a selection of steaks, chops and seafood grilled over mesquite in its 86-seat The Quill restaurant. On the West Coast, executive chef Bradley Ogden at the Campton Place Hotel in San Francisco continues to emphasize fresh American ingredients.

The gaming industry is critical to the growth of many companies. Analysts estimate that 40 percent of Hilton and Holiday's revenues are derived from gaming while over 50 percent of Ramada's revenues are from gaming. It is not surprising to see explosive growth in Atlantic City.

The Golden Nugget, one of the most innovative (and most copied) casinos, sets the pace with "high roller" specials. Heavy betting regular customers are treated to complimentary meals, rooms, transportation and are invited to attend private parties hosted by celebrities.

The Sands Hotel recently intitiated a food court for gamblers anxious to eat quickly and return to the tables. Several popular restaurants from the New York, New Jersey and Philadelphia areas (Bookbinders, Nathan's Famous, Carnegie Deli) are included in the restaurant court.

Harrah's at Trump Plaza heralded the combined forces of estate magnate Donald Trump and Harrah's—the gaming division of Holiday Inns. Opened last May, the $220 million hotel features a 60,000 sq. ft. gaming floor. Public areas include seven restaurants and two casino cabarets. **—Denise M. Brennan**

Hotel/Motel Market: Foodservice Sales

1988: $13,076,000,000 · 6.9% Compound Annual Sales Growth

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 VS 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 VS 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth: Nominal	1983-1988 % Compound Annual Growth: Real
Hotels	5,944	1,934	4.2	6,437	2,094	8.3	***	***	***
Motor Hotels	1,032	337	2.0	1,120	366	8.5	***	***	***
Motels	1,656	559	-4.3	1,802	608	8.8	***	***	***
TOTAL	8,632	2,830	2.2	9,359	3,068	8.4	13,076	6.9	2.3

****There is not sufficient data to develop individual projections for these sub-market segments.*

The Retail Market

The excitement has been building over the past few years, but never before has there been as much enthusiasm among retailers over foodservice. Department stores now treat foodservice as a sales generator, a profit center—not the unavoidable but necessary convenience they have always had to provide to their customers. Convenience stores today see food as an underestimated opportunity that warrants attention, and many chains are upgrading their menu selections—particularly of fast food items—to compensate. Specialty shops crop up all over the country to supply a growing consumer need for variety and quality foodstuffs.

Foodservice sales among retail outlets in 1983 exceeded $4 billion. The overall market in retail foodservice grew at a rate of almost seven percent last year, coming off the previous year's growth rate of barely 4.5 percent.

From coast to coast, the retailing sector provides great opportunity for foodservice, and many are taking advantage of the positive trend.

Always the sales leader in the retail segment, department store foodservice knows no bounds in being innovative. "As an industry, we probably come up with more ideas than most," says Bob Jones, vice president of foodservice for Dallas-based Neiman-Marcus. "In fact, we probably do some things that restaurants follow us on, rather than vice versa."

Within the segment, department stores accounted for $1.2 billion in foodservice sales in 1983, more than any other retail subsegment. The segment's seven percent growth over the prior year is second only to the rising growth among convenience store chains.

Neiman-Marcus has been a driving force in retail foodservice for many years—its original Zodiac Room restaurant in Dallas is widely hailed as the first of its kind for fine dining in department stores. In the past year the chain has opened two new stores, in Chicago and Boston, and both offer foodservice. In the flagship Chicago Neiman-Marcus, along the Windy City's Miracle Mile, there are two eating places, the fine dining Zodiac Room and the quick service, take-out Fresh Market. Both, according to Jones, have been well received by the city's affluent residents.

"There are a lot of condominiums along the Miracle Mile, and that makes for a good many affluent, working customers—the types who look for quality and convenience," says Jones. "We're doing a lot of take-out business as a result." The Fresh Market offers prepared dinners and a large selection of salads.

Following a tradition begun in San Francisco, Neiman-Marcus's restaurant in Chicago frequently caters to private parties. In addition, merchandising techniques are consistently devised to fill the restaurant during non-peak hours, a common practice among retailers.

"In this business you've got to give the customer more than just good food and atmosphere," says Jones. "You've got to offer something extra." Some of the special events recently held in Chicago have been wine tastings and afternoon teas. In a less traditional technique, for three months an astrologer was featured in the dining room between 2:30 and 5:00 in the afternoon in order to attract diners at these off hours. The novelty worked, and the store will probably repeat the program this fall.

According to Stanley Finklestein of Macy's New York, the purpose of department store foodservice is a striving to mirror the image of the store itself. "If you're going to offer foodservice, it might as well fit into the overall feel of the store," he says. "Stores are becoming more sophisticated so restaurants must do the same." In Macy's Herald Square in New York, many floors have been redesigned recently, and foodservice operations have been revamped as a result. Recently, a French café was opened on the mezzanine level to service Macy's sophisticated customers. L'Etoile offers soups, salads, omelets, and desserts, as well as European coffees and wine. Breakfast, lunch and brunch are served, and an afternoon tea is offered at 4:30 p.m.

Neighboring Bloomingdales', a Federated Department Stores chain, is also changing with the times. Its Greenhouse counter-service concept has just been replaced by a more modern cafeteria. The move toward self-service, though unusual for Bloomingdale's, is thought to be a needed one for the tired Greenhouse concept. The new unit is art deco design and offers some of Bloomingdale's favorite menu items.

Sanger-Harris-Levys, another Federated chain based in Dallas, is offering what director of foodservice Richard Gussoni calls "current cuisine" to reflect far-reaching trends in the restaurant industry. Its Valley View store, in suburban Dallas, recently added a lavish foodservice unit called The Charcuterie. It features a display kitchen with a rotisserie for roasting seafood, meat and poultry, take-out service, and a dining room. With a separate entrance a and quality food, The Charcuterie, says Gussoni, can compete with restaurants in the area since it demands a presence all its own.

"I have no doubt at all that good foodservice can be a great attraction to a department store," says Gussoni. "Our downtown Dallas Charcuterie is consistently listed as among the best places to eat in town. A study that Federated did shows that 23 percent of the downtown unit's total transactions were in the restaurant. I think that says something very profound about the opportunities for foodservice in this business."

John Lovelace of Dayton's in Minneapolis agrees that the retail industry's approach to foodservice must be driven by overall consumer trends. Dayton's opened an 8,500-square-foot multi-purpose food center in June, and is showing healthy sales because of it. The area, which includes kitchenware and applicances, houses a 60-seat restaurant featuring Cajun cuisine, a bakery, gourmet food center, and a Chinese take-out unit. According to Lovelace, the Oriental concept was targeted for $350,000 in sales its first year, but is likely to bring in far greater numbers than that. Dayton's has also had success following the frozen yogurt trend. Its Yogurt Express concept debuted two years ago. There are now four units, with another four scheduled to open this fall.

Sanger-Harris-Levys, like Neiman-Marcus and other retailers, has found that take-out is a growing trend in department stores, and the chain now concentrates on prepared foods to take home. The company is also planning to open a food court in its Dallas store in January, which will feature three concepts: gourmet burgers, gourmet pizza, and pasta. "We think these are significant trends in the restaurant industry, and believe they'll do well for us at the lunch hour," says Gussoni.

A growing market in the retailing sector is convenience stores, which are now paying particularly close attention to foodservice. Last year, foodservice sales among convenience stores increased by nearly $100 million, from $649 million in 1982 to $739 million. The convenience store subsegment showed a 13.9 percent growth rate in 1983, the highest growth rate of all retail subsegments, and twice the growth rate of the retail segment as a whole.

In many cases chains are allocating more overall square footage to their fast food items; menus are being expanded; quality improved; and sales promotion activity increased. Phoenix-based Circle K will complete a roll-out of its popular Deli Fresh line of super premium sandwiches this year, after introducing the product line just last year. In January 1983, the company went as far as to open a commissary to supply the chain with ingredients and supplies for the Deli Fresh line, and by year-end all stores will be serviced by the commissary. According to company spokesmen, Circle K is looking into other fast food-type menu items to expand on its successful line. Most recent additions to the menu have been a pimento-cheese sandwich, burrito, and soft tacos.

Circle K's interest in fast food is shared throughout the convenience store sector. Some of the top convenience store chains have even added fried chicken to their menus over the past year. National Convenience Stores, one of the many chains allocating additional space for its fast food merchandise, even provides seating areas for its customers. The chain, which devotes a lot of attention to fast food operations, is among those offering fried chicken.

Fast food, say many convenience store operators, acts as a great attraction and sales booster, and we will probably be seeing a lot more activity among chains in the future in regard to extending their menus. 7-Eleven, the largest of all convenience store chains, has even begun testing a new concept featuring baked goods and sandwiches. Though information on the new concept is sketchy, parent Southland's move to develop another food-driven concept says a lot for its optimism regarding convenience store foodservice.

On another fast food front, F.W. Woolworth says it will continue its development plans for Burger King units in its stores, despite the recent resignation of foodservices vice president Robert Powers. Powers, who joined the company in 1982, is largely credited with devising the franchise plan, which calls for as many as 150 Burger King units in Woolworth stores. The retail chain's first Burger King unit, opened this year in Manhattan, is reported to be on-track for $1 million in sales this year.

In the nation's capital a new food-retail mall has just opened, one the Rouse Company, its developer, hopes will be another blockbuster success. Called National Place, and opened in June, the new retail center is the first stage of a two-step plan. The second phase is scheduled for completion next spring.

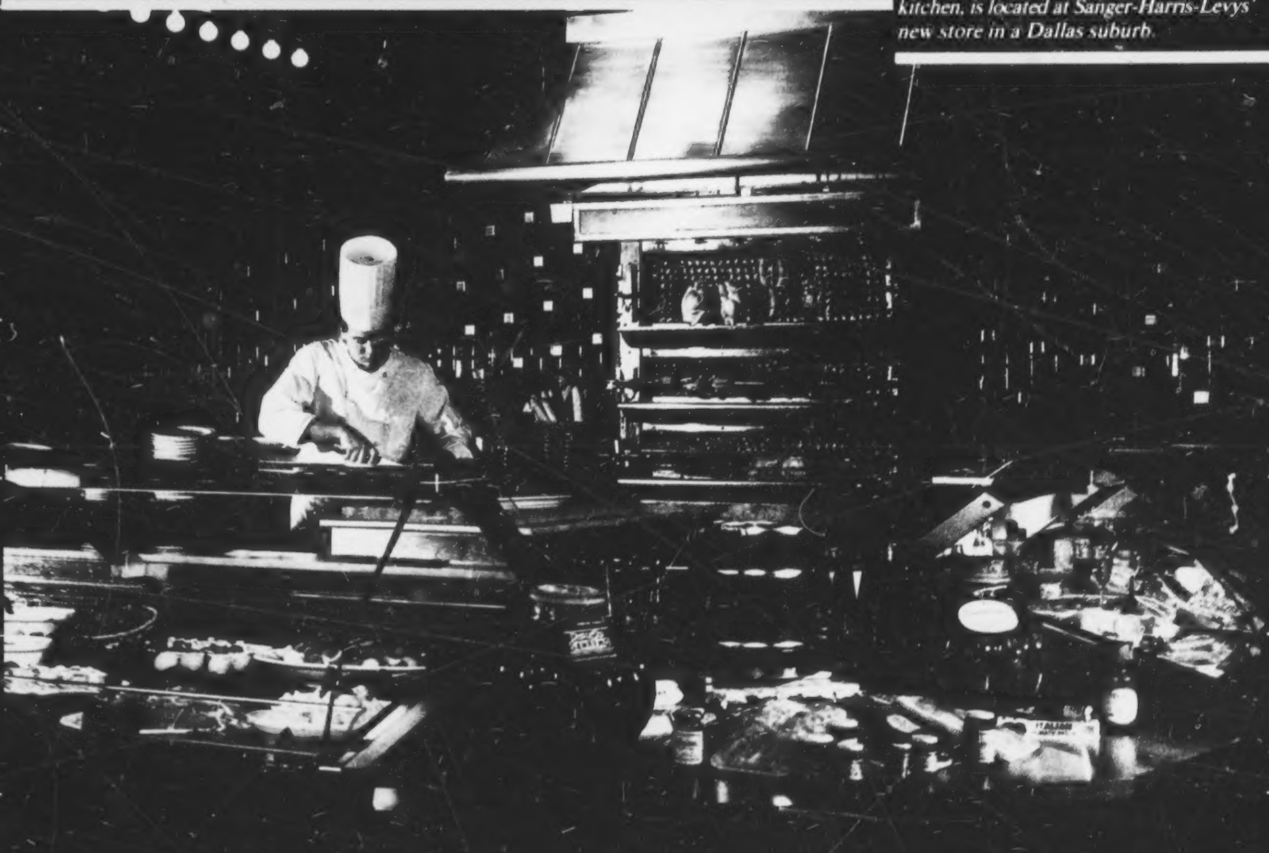
Included in National Place are the likes of a new concept by the owners of American Café, Market Café. The concept stresses take-out and gourmet foods, and is expected to act as a vehicle for further development. Also in National Place is Hunan Express, a fast food Oriental concept; Everything Yogurt; The Boston Seafood Co.; and Au Bon Pain, among many others. The development is adjacent to a new Marriott Hotel. Food kiosks are located on the third floor so that shoppers must travel through the many specialty outlets of National Place to reach them. The second stage of National Place will be linked to the just opened development, and will be located in the renovated National Press Building.

Food-retail malls, spearheaded by the Maryland-based Rouse Company, have taken a firm hold in the past few years, and it's likely developments will further expand throughout the country in the coming years.

—Ralph Raffio

The retailing sector provides great opportunity for food service, and many are taking advantage of this positive trend.

The Charcuterie, with its display kitchen, is located at Sanger-Harris-Levys' new store in a Dallas suburb.



1982: $3,956,000,000 + 4.4% Sales Growth
1983: $4,228,000,000 + 6.9% Sales Growth
1988: $6,246,000,000 + 8.1% Compound Annual Sales Growth

Retail Market: Foodservice Sales

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Department Stores	1,145	430	3.2	1,226	460	7.1	1,696	6.7	2.1
Variety & General	402	147	1.5	420	154	4.6	564	6.1	1.5
Drug & Proprietary Stores	358	131	1.5	382	140	6.7	386	0.2	-4.1
Convenience Food Stores	649	224	11.9	739	255	13.9	1,458	14.6	9.6
*Other Specialized Retail Stores	1,402	485	4.5	1,461	505	4.2	2,142	8.0	3.3
TOTAL	3,956	1,417	4.4	4,228	1,514	6.9	6,246	8.1	3.4

**Other specialized retail stores include: Food stores including grocery stores (excluding food convenience stores, gasoline service stations and miscellaneous retailers (liquor, cigar, etc.)*

The Business/Industrial Market

As America shifts from a smokestack economy to a service one, the Business & Industry (B&I) foodservice segment must meet the needs of an increasingly sophisticated, white collar workforce.

In 1983, the area registered a sales growth of 5.9 percent over 1982. Compound annual real growth, however, is estimated at only 1.5 percent over the next five years.

While some industries, in particular the automotive sector, have lately been on an upward economic curve, many observers view this new health as precarious. Other heavy industries—steel, farm equipment, and machine tools, for example—remain essentially depressed

As a result, many caterers have been de-emphasizing blue collar accounts and moving into new areas altogether. Ogden Food Service Corp., a subsidiary of Ogden Corp.—itself a highly diversified company which is rapidly becoming more services oriented—added no major B&I accounts in 1983. Instead, Ogden has concentrated on growth in its airline and leisure catering businesses, and in mid-1984 added additional airline territory to its $60 million Travel Services division by acquiring Air La Carte.

Population has dropped in many industry accounts. According to

1982: $7,875,000,000 + 1.1% Sales Growth

1983: $8,343,000,000 + 5.9% Sales Growth

1988: $11,189,000,000 + 6.0% Compound Annual Sales Growth

Business and Industry: Foodservice Sales

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 VS 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 VS 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Contract Feeding in Plants *(Cafeterias primarily)*	2,258	1,028	-1.8	2,393	1,089	6.0	3,231	6.2	1.6
Contract Feeding in Business Offices	710	323	6.1	757	344	6.6	1,067	7.1	2.5
Internal Feeding—Plants & Business	1,458	693	-2.1	1,537	730	5.4	1,869	4.0	-0.5
Waterborne Employees	275	165	1.1	282	169	2.4	365	5.3	0.8
Mobile On-Street Catering	500	167	0.9	532	178	6.5	743	6.9	2.3
Food Vending Machines *(excluding packaged soft drinks and candy)*	2,674	866	-2.2	2,842	920	6.3	3,914	6.6	2.0
U.S. Defense Personnel	N/A	1,766	N/A	N/A	1,798	N/A	* * *	* * *	* * *
Food Furnished Foodservice Employees	N/A	3,624	N/A	N/A	3,809	N/A	* * *	* * *	* * *
TOTAL	7,875	8,632	-1.1	8,343	9,037	5.9	11,189	6.0	1.5

** * *There is not sufficient data to develop individual projections for these sub-market segments.*

Gordon B. Parker, who as Caterer Operations Administrator at Ford Motor Co. oversees over 150 contract-operated cafeterias and executive dining rooms, foodservice volumes are a general indication of what's happening company-wide. "Our volumes have decreased," says Parker, "because there just aren't as many employees as before."

Within the past year, a merchandising program has been implemented in both catered facilities and all 50 company-operated locations to offset population losses and help put volumes back on speed. The thrust of the program has been to improve the image of foodservice as well as that of foodservice employees through more attractive serving lines, logos and uniforms, and through a variety of promotions.

"The most expensive fringe benefit that employees receive is in the area of health care and if eating makes them more healthy, everyone benefits," adds Parker. To that end, Ford has instituted a Heart Healthy program in its foodservice and employs a corporate dietician.

According to Richard Ysmael, who is in charge of about two dozen cafeterias operated by Motorola, many clients are scaling down their foodservice locations in terms of space allocated. Ysmael has recently developed and introduced "The Grabber," a prototype smaller operation which he describes as a cross between a traditional cafeteria and a fast food outlet.

By eliminating grills, fryers, and other equipment requiring HVAC, and by downsizing kitchen as well as dining space, The Grabber costs less than half of what a standard cafeteria would cost yet still provides an adequate selection of items, including sandwiches and pre-plated salads served on disposable ware. The concept is intended for buildings where the employee population is lees than 1,000, but can later serve as a satellite to a larger cafeteria as the population expands.

While some companies do continue to operate their own facilities in-house, many caterers note that new areas are opening up to them all the time. Explains Daniel R. Krpan, vice president sales & marketing for Canteen: "In general, institutions like hospitals and correctional facilities are opening up to us because they are realizing that their energies can best be utilized in their own areas of expertise, leaving foodservice to our expertise."

Low-labor cost foodservice is a major area of emphasis for Canteen. Having introduced its highly successful by-the-ounce program several years ago, the company has also moved into other less labor-intensive areas, such as build-your-own and self-service bars, pre-portioned foods, and cooperative service vending. And the company will continue to expand its self-service Gulliver's restaurant, a breakfast and lunch soup/salad/sandwich concept in-

Service Systems manages this employee cafeteria for a computer company located in California's Silicon Valley tended for multi-tenant office buildings as well as hospitals and colleges. There are about 20 Gulliver's around the country today, and Krpan reveals that Canteen will add up to 60 more in the next year.

Saga's well-documented move into restaurants culminated early this year with the formation of a new Restaurant Management division, which provides planning and management of complete food and beverage operations to the lodging industry. Saga now offers several concepts to lodging, including Velvet Turtle and its new Brandon's free-standing dinner house. Granada Royale Hometel has contracted with the Restaurant Management division for all of its new properties.

Quality, variety, high perceived value—in fact, all amenities that today's customer has come to expect from the public foodservice sector—appear to be the hallmarks of successful B&I operations. The key is offering choices. For instance, while healthy, nutritious dining is a trend that few contract foodservice managers have missed, no one is about to limit their selection to broiled fish and salads exclusively.

"We offer what sells, but we won't serve junk nutrition," says Erving Jensen, foodservice director for Continental Illinois National Bank. Eight years ago, Jensen points out, his company's foodservice was all steam tables and heavy food. Since then, grills, salad bars, and lighter foods have been added, and everything is cooked from scratch. Salt is minimized, low fat products are used, and meatless entrees are available. But, cautions Jensen, "The selection is such that customers make choices. We're not preaching to them."

The B&I segment must meet the needs of an increasingly sophisticated, white collar workforce.

Explains Arthur Pula, director of employee relations services for the Upjohn Company, which operates its own foodservice for about 25,000 employees worldwide: "There's still a need for a meat-and-potatoes type of entree because many people are making this their principal meal of the day. So we offer a wide selection of entrees, vegetables and salads as before, but now we're offering lighter portions because people are eating less food. They're not necessarily eating healthier food, but they do want smaller portions that they can mix and match more easily."

ARA has launched its highly successful "Choices" modular menu and service program. According to Joe Kingrey, president of the Business Dining Services division of ARA, Choices was designed to tailor foodservice to the specific needs of clients.

Choices consists of more than a dozen menu/service "modules," ranging from Fresh Starts (a breakfast program which also includes a different regional American breakfast—such as Pennsylvania Dutch or New York deli—every day) to Kettle Classics (specially developed soups), Sizzles (burgers, chicken, and battered items on a stick), and Cafe Features (entrees and daily specials, all with a regional flair).

Clients can pick and choose among the modules, which provide the entire operational package from recipes to graphics, and drop them into existing facilities, or they can have new facilities designed around the modules.

Expanding the concept further, ARA has also developed a Choices restaurant for large, multi-tenant office buildings. As in private locations, Choices public restaurants can incorporate any number of the available modules in a fast self-service format, generally ranging in size from 45 to 175 seats and utilizing a lot of take-out.

The multi-tenant building represents a relatively new but very profitable type of account for the contract caterer. New York-based Corporate Food Services, which specializes in upscale white-collar accounts, has a contract to provide foodservice for Blue Hill, an office complex in Rockland County, N.Y. By November, foodservice will be fully operational, and will include a food mall with various stations ranging from American Burger Works (fast food) to Mangia Mangia (Italian food and pizzas) and The Deli Corner. There will also be a large free-standing salad bar, a self-serve yogurt bar, and an entree station.

The food mall is located adjacent to a 700-seat atrium dining area and is surrounded by an upscale retail concourse. Also operated by the caterer is a 70-seat tablecloth restaurant called Images and a 65-seat lounge which serves pub food. The company is considering opening these latter two facilities for dinner.

Says Larry Appleton, foodservice manager for Martin Marietta: "Take-out has afforded us an expanded market, plus more employee service, using a fixed labor base." Employees can buy everything from box lunches to prepared entrees and deli meats by-the-pound.

Take-out is only the newest foodservice venture for Martin Marietta. The company keeps participation up to nearly 70 percent in the competition-soaked Orlando area by "paying attention to employee needs and what's going on in the outside world," as Appleton describes it. This means offering daily Blue Plate Specials which decrease in price 10 cents per day until the weekly low on Friday, when employees would be otherwise most likely to leave the premises for lunch. It also means an international food bar featuring a different country each week, priced by the item so patrons can make up their own combinations. Other draws include a portable Chicago-style hot dog wagon, the Colossus sandwich sold by the inch, a rotating variety of food bars (such as Mexican, fruit, sandwich, and health-oriented), and a fast food concept called the B-Line which combines a manual cafeteria with vending and serves a variety of "fun foods" in an outside eating area. **—Joan Lang**

The Transportation Market

The number of travelers within the United States remained steady at 1.1 billion in 1983, but the travelers stayed away from home longer, according to the U.S. Travel Data Center. Travel expenditures were up seven percent from 1982 to $210 billion.

U.S. residents spent $52 billion of their travel dollars on food, both in and out of the country. Other expenditures by citizens in 1983 included $40 billion on public transportation (including air, rail, and bus), $42 billion on auto travel, and $33 billion on lodging.

These expenditures leveled a positive impact on the transportation segment. Sales growth increased an impressive 11.2 percent over 1982.

In-flight foodservice shows great dichotomy, especially between exclusive airlines such as the new Regent with opulent gourmet meals, and budget airlines such as People Express which requires customers to purchase their onboard meals. "The split even between first class and coach passengers on major trunk carriers is becoming more and more obvious," notes John Tibitz, vice president of airline marketing for Sky Chefs.

TWA has aimed to lessen this gap by offering American cuisine to its coach passengers. The airline, which

Customer satisfaction is the goal of Marriott's In-Flight Services.

caters 15 to 20 percent of its own flights, has incorporated recipes of Vista Hotels' American Harvest restaurants into its in-flight offerings.

Big news in the in-flight foodservice industry this year was Ogden's acquisition of Air La Carte, ARA's inflight division. "We were both too small to compete against the giants, and Ogden was willing to pay us more than we were willing to pay them," says ARA's retired Air Services Group president Frank Johnson. The acquisition includes kitchens in New York, Hartford, Miami, Honolulu, San Francisco, and Los Angeles. The acquisition increased Ogden's inflight business by over 40 percent.

On Long Island, New York's MacArthur Airport in Islip, Chef-Aire Airline Caterers opened two years ago to service regional airports. Marketing themselves as a personalized service company, Chef-Aire is moving into Hartford's Bradley International Airport and targeting Albany, Kennedy, and others for future business.

Airport terminal foodservice operators are offering a wider variety of restaurants and promoting them as if they were freestanding independent operations.

Host International, ARA, and Sky Chefs lead this move toward diversification. In San Francisco International Airport's North Terminal, for example, Host (a division of Marriott Corp.) complements its coffee shop, dining room, and snack bar operations with two specialty shops: North Beach Deli, a New York-style delicatessen, and Crab Pot, a seafood restaurant. Host will soon roll out a made-to-order croissant sandwich restaurant where the croissants are baked in an open kitchen. At the other end of the price spectrum, Host offers cookies and Frusen Glädje ice cream in its terminal facilities.

Airport terminal restaurants are more diverse than ever, and these concepts are being promoted heavily.

Aiming to increase check averages of "those who buy a cola and a pack of potato chips," says ARA's Johnson, the contract caterer packages and markets a boxed meal. Packages might include a large hot dog, potato chips, potato salad, and a beverage, for example. ARA also offers fine dining in most of its terminal cities.

Sky Chefs too has diversified, offering a range from Häagen Dazs ice cream stands to upscale restaurants in its airport terminals. In New Orleans, a new Signature Room restaurant features signature items from popular local restaurants.

As more airlines move to the hub and spoke system—whereby most passengers transfer planes at a few major cities—foodservice has moved onto the concourse. "Customers with less than an hour to spare between flights will avoid leaving the concourse; now we and other caterers offer foodservice on the concourse level when airports allow," explains Bill Forte, director of food and dining services for Host.

Under test is an attractive snack cart adorned with small bright lights that serves cold sandwiches, yogurt, pudding, soft drinks, fruit juices, cookies, Danish, and hot dogs cooked on a roller grill. An added benefit is that since only one person is needed to run each cart, labor costs are low.

As part of the Los Angeles airport's $700 million renovation, the nation's largest airport restaurant was built. The 26,000 square feet includes a buffet restaurant, a cocktail lounge, and private party rooms.

Amtrak, the nation's leader in rail service, emphasizes that 80 percent of its new menu is prepared fresh on the trains. Previously food was preplated, frozen, and reconstituted. Breakfasts are made to order, and dinners differ each night. Food costs have remained at 45 to 50 percent with the new menu. Average check has remained at $6.75 for a four-course meal.

Passenger traffic was down 11 to 16 percent on Greyhound buses this year through July, partly due to stable gasoline prices and partly due to the bus drivers' strike that halted service for many weeks. Still, foodservice sales dropped minimally. Over the last few years, Greyhound Food Management (GFM) converted most of its Post House restaurants to theme restaurants and Burger Kings with both terminal and street access. Vending services were modernized. Due to these moves 30 percent of GFM's bus terminal foodservice sales are from customers other than travelers, such as nearby office workers.

Many remaining Post Houses will be converted within the next couple of years to some other franchised fast food concept, as yet unnamed, according to president Joe Fassler.

Uncertain of bus passenger reliance in the future, GFM is moving into the freestanding restaurant market with a gourmet hamburger concept called T. Twiggs; the first, which recently opened in Evansville, Indiana, is projected to have first year sales of $1.3 million, with 150 seats and an average check of $7.

Continental Trailways has replaced its old-line cafeterias with brightly colored snack bars. Three other operations were converted to Hardee's. The result has been a sales increase of 30 percent overall with reduced labor costs. "We don't have a single operation that isn't profitable," says Trailways Food Services president Dave Laughlin.

Marriott considered abandoning the toll road business but gave the market one last chance by converting coffee shops to Roy Rogers, Bob's Big Boy, or both concepts on the same site. In six weeks Marriott gutted six New Jersey Garden State Parkway toll road restaurants and replaced them with the dual concepts. Projected sales for the six units are $15 million. The corporation is now bidding for toll road locations in Connecticut and Indiana.

—Rona Gindin

Sky Chef's Signature Room is a major part of recently renovated food and beverage facilities at New Orleans International Airport.

1982: $2,073,000,000 + 5.4% Sales Growth

1983: $2,306,000,000 + 11.2% Sales Growth

1988: $3,515,000,000 + 8.8% Compound Annual Sales Growth

Transportation Market: Foodservice Sales

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Air & Rail *(in transit)*	1,087	533	2.9	1,218	597	12.1	***	***	***
Terminal Facilities	550	192	8.3	609	212	10.8	***	***	***
Highway *(Interstate)*	302	107	8.2	331	117	9.7	***	***	***
Passenger & Cargo Ships	134	74	8.9	148	82	10.1	***	***	***
TOTAL	2,073	906	5.4	2,306	1,008	11.2	3,515	8.8	4.1

****There is not sufficient data to develop individual projections for these sub-market segments.*

The Health Care Market

Foodservice operators serving the health fields are developing a reputation for being more cost-conscious and sales-driven than ever before.

The reason for casting an eagle eye on services and the bottom line can best be explained by the far reaching changes in the health field itself. During the past two years, the federal government has gained further regulatory authority to determine what hospitals may charge patients for their services, and it has made similar alterations in its own reimbursement policies. The end result has been necessary belt-tightening to compensate for what the government no longer provides.

Foodservice in health care is a $12 billion-a-year business. Internally run foodservice continues to dominate the health segment, accounting for more than $8 billion of total sales, though external factors are beginning to shift that stronghold.

To be sure, the health care market presents an interesting mix of opportunity and misfortune for those in foodservice. In-house foodservice directors are being pressured to control costs and increase sales. That inevitably creates difficult challenges but an incentive to be innovative with foodservice also emerges.

Many in-house administrators have met this challenge head-on. "We in health care have been forced to expand our revenue base," says Barry Hutchings, foodservice director of the Swedish Medical Center, Englewood, Colorado. "That means we have to go outside the boundaries of feeding patients and staff and look to less traditional methods of selling food and services."

Hutchings, along with many of his colleagues, is experimenting with gourmet take-out items. Take-out attracts the many women employed in hospitals, as well as guests on their way home from an evening visit. Swedish Medical also sells bulk food items, such as cookies and breads, which people might otherwise run to a convenience store or grocery to buy.

"Traditionally, 60 to 70 percent of our volume was through patient care activity," says Hutchings. "That's decreased to about 30 percent today so we've got to concentrate our efforts on other things besides just patients." The foodservice director is now designing a multi-option, "very commercial looking cafeteria with a retail air." It will include a quick stop, bake shop, deli, ice cream bar, salad bar, and hot food line.

Jack L. Bowman, director of foodservices, St. Joseph Hospital, Omaha, says that in-house foodservice directors are finding it necessary to keep up with overall trends in the restaurant industry.

Bowman has introduced a baked potato bar to his facility. "Why should we let an employee, or guest for that matter, go across the street to Wendy's if we've got the capabilities to offer the same thing over here?" Bowman concedes that cost-cutting is a real problem for in-house feeders, though he insists that through creative menu planning and merchandising sales increases can be attained to offset costs.

"Our check average has gone up 40-cents this year, without any price increases," he says.

On the contract foodservice side, many operators say that health care's belt-tightening crisis can well work to their own advantage. Last year again showed an upward trend for contract foodservice in the hospital/nursing home market. Total sales on the contract side of health care feeding edged over the $1 billion mark in 1983; that adds up to a 9.4 percent sales growth over the year before—the largest percentage increase in the segment.

"We're seeing doors open to us because of the cost factor," says R. William Edmundson, president of ARA Services's hospital food management division. "But a lot depends on the facility's in-house staff. If they can control costs by being efficient, then they're likely to be doing as good a job as we can do. If they're unable to do so, administrators will probably have to come to us."

Edmundson says that while it is important to continue providing excellent service to patients, the non-patient side of health care is the most critical today.

"Hospitals are finding it very difficult to justify subsidizing employee meals, for example, and we've been seeing many institutions change their policy in regard to subsidies," says Edmundson. "The cafeteria is there to sell food, and the more it sells the better—that's good for everyone. As far as we're concerned, when a hospital stops subsidizing employee meals, our job becomes that much more involved. When employee prices and outside prices merge, marketing becomes more important."

ARA, with 350 health care accounts, sees one-third of its new business coming from long-term care facilities, such as nursing homes and retirement communities.

"Business from retirement communities is growing rapidly," says John Metz, founder and head of Custom Management, the nation's largest private contract management firm. "It's interesting to note that these facilities are cropping up all over the country, not just in Sun Belt regions, which causes our business to be spread out all over the country. As the population gets older, this segment of health care is proving a very lucrative one for the contract catering industry."

ARA's Edmundson agrees. "The people who build retirement communities, for example, are in the real estate business, not the food business. They need us to offer good foodservice, and in the future contract caterers will be getting more accounts from that sector." Contract caterers, including Saga, Canteen, Marriott, Service Systems, and others agree—all are aggressively targeting these facilities.

—Ralph Raffio

Catering to the special dietary needs of patients is an important factor in hospital foodservice for ARA.

1982: $11,335,000,000 + 6.6% Sales Growth

1983: $11,963,000,000 + 5.5% Sales Growth

1988: $16,157,000,000 + 6.2% Compound Annual Sales Growth

Health Care Market: Foodservice Sales

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Hospital—Internal	7,641	3,439	6.4	8,038	3,618	5.2	10,534	5.6	1.0
Hospital/Nursing Home—Contract	989	396	9.6	1,082	433	9.4	1,690	9.3	4.6
Other Institutions—Internal *(For specialized care including nursing and old age homes, orphanages, etc.)*	2,705	1,662	6.1	2,843	1,747	5.1	3,933	6.7	2.1
TOTAL	**11,335**	**5,497**	**6.6**	**11,963**	**5,798**	**5.5**	**16,157**	**6.2**	**1.6**

The Student Market

Change comes slowly to the student foodservice market, and today's developments generally stem from the arrival of fast foods on campus approximately 10 years ago. What is new is the tremendous sophistication this breakthrough has bred. Marketing techniques previously limited to retail establishments now alert students to their many choices. Even grammar school children are receiving dual entrees in some districts.

Reinforcing the move towards marketing are certain demographic changes in the nation's student body. For starters, the customer base is shrinking. Enrollment has been declining since 1971 when the last of the baby boomers hit grammar school. According to Tom Snyder of the National Center for Education Statistics, this trend will start to reverse in 1986 as the result of a baby "boomlet" currently underway. This will not affect high school enrollment, however, until 1991.

College enrollment has dropped only slightly in the 1980s, bolstered up by returning older students. Fewer students, however, are attending full time. Consequently, college operations are being forced to pay more attention to staff members as well as to commuters.

RGI figures indicate a slowing of growth. While growth in 1982 was 8.0 percent, growth in 1983 fell to 6.3 percent. Further, growth for 1983-88 is projected at only 3.7 percent.

To keep students on campus, college operators are finding a variety of ways to duplicate off-campus retail experiences. Custom Management Corp., which has approximately 100 student accounts, recently increased sales by converting an underutilized vending machine area into a Rathskeller at Duquesne University in Pittsburgh. In an even clearer echo of the off-campus competition, the company is canopying, paneling, and adding cordons to many of their campus serving areas.

ARA Services is also "restaurantizing" its foodservice, according to vice president of marketing Tony Wilson. It's a Pizza is the firm's on-campus pizza parlor, located in college snack areas. Dorm delivery is an important aspect of the concept, generating a substantial part of sales.

Edinboro University is one of several hundred institutional accounts serviced by Custom Management Corp.

El Pollo Grande is the firm's new Mexican concept, now entering test markets in the Northeast.

ARA has recently dived into marketing too. College newspaper ads and t-shirts advertise the restaurants. Custom-made wagons sell bagels, sandwiches and other snacks. The company has even published a new book, *Guide to Good Times*, that outlines 59 ways to avoid boredom in the dining halls.

For the last year, Saga Corp. has been introducing new tastes through its highly centralized "trend setters" program. Under this program, Saga's operations add a popular specialty item to their regular dining hall menus five times a week. Fried mozzarella, crepes, and croissant sandwiches are typical additions.

Complementing this program are "pace changers"—do-it-yourself food bars (tacos, baked potatoes, cheese cake, etc.) set up two to three times a week.

Despite the new on-campus dining options, students are rebelling against mandatory board plans, especially those that penalize them for absenteeism. To counter this, some universities are dropping the board requirements and others are creating credit card or "point" systems which enable students to pay only for what they eat.

Among the more innovative meal plans is the University of Maryland's campus-run DS Cash Program. The univeristy foodservice operations include four dining halls for boarding students and a selection of cash restaurants for commuters and staff. To build customer loyalty at the restaurants, the campus will set up cash accounts which allow customers to pay in advance and then "charge" their meals. Account holders also enjoy a 10 percent discount on restaurant purchases.

Maryland's boarding students are also encouraged to eat periodically at the campus restaurants. When they substitute a dining hall meal for restaurant fare, they are given a $1.56 discount (the cash equivalency of a dining hall meal).

Another issue of increasing interest to students and operators is nutrition. Students eating in dining halls operated by Philadelphia-based The Freshie Company can now check the nutritional content of their meals by consulting computers set up in eating areas. Saga places calorie information right on their menu boards. At the Virginia Polytechnic Institute and State University in Blackburg, Virginia, the campus' independent foodservice administration sponsored an all-day food and health exposition.

While much initial menu experimentation occurs in college operations, secondary schools are not far behind. Having endured multiple levels of governmental scrutiny, fast food is now a standard at many high schools. This has significantly increased high school food sales. One recent example: The Freshie Company raised daily sales from $500 to $2,000 a day at one Philadelphia high school last year by adding a fast food menu.

Healthy foods are also in demand at the secondary level. According to ARA Service's vice president of sales and marketing for school nutritional services, Linea Storm, salad bars are now common in high schools (and increasingly frequent in grammar schools too). ARA is currently stepping up its nutrition program with low fat foods that will include such items as pizza made with low fat cheese.

Profitable high school operations enable school systems to pour more money into grammar school lunches, which have generally survived the federal budget cuts very well. As a result, grammar school students are seeing less pre-packaged foods, eating more fresh vegetables, and like their older counterparts, choosing among a growing variety of foods. **—Alexa Bell**

Student Market: Foodservice Sales

1988: $9,410,000,000 **+ 3.7% Compound Annual Sales Growth**

	1982 Sales ($000,000)	1982 Purchases** ($000,000)	1982 vs 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 vs 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth: Nominal	1983-1988 % Compound Annual Growth: Real
School—Internal *(public, parochial, elementary & secondary)**	2,464	2,814	4.2	2,496	2,690	1.3	2,564	0.5	-3.8
School—Contract	720	295	9.5	723	287	0.4	953	5.7	1.1
Colleges, Universities—Internal	2,783	1,243	9.7	3,061	1,268	10.0	3,874	4.8	0.3
Colleges, Universities—Contract	1,407	451	10.7	1,556	460	10.6	2,019	5.3	0.8
TOTAL	7,374	4,803	8.0	7,836	4,705	6.3	9,410	3.7	-0.8

**Actual cash receipts from children plus parochial and other private schools.*
***Not including $841 million worth of commodities and milk—a -13.7% decrease from 1981.*

The Leisure Market

Nineteen eighty-four has been a year of reassuring prosperity for most leisure foodservice operators. Long considered recession resistant, the leisure industry suffered low sales growth during the economic difficulties of the early 1980s. Last year, however, operators reported an increase in growth over troubled 1981; this year many are proclaiming a return to widespread health.

There are some notable exceptions: park attendance, siphoned off in recent years by foreign markets and a strong dollar, remains down. The World's Fair in New Orleans has not met attendance projections. Yet, overall business is good.

Much of the growth reflects the general economic upturn now delighting the nation. RGI figures indicate that overall growth is up from last year. Sales growth for 1983 was 7.3 percent, an increase of 1.3 percent over 1982. Among sub-segments, drive-in movie theaters constituted the growth leader, registering a 10.1 percent growth rate in 1983. Summer camps and hunting facilities registered the lowest growth at 1.5 percent. As a whole, the outlook is positive, with a 7.5 growth rate projected for 1983-88.

However, because the leisure segment encompasses a broad spectrum of operations ranging from theme parks to stadiums, museums to resorts, a variety of factors can affect sales. Weather wields an unpredictable and immediate influence over resort and park sales. Strikes, such as the 1982 football strike and the 1981 baseball strike, directly impact stadium business. Museum and theater food operations bloom with blockbusters and lag with ho-hum seasons.

This year, no major weather disasters have marred attendance, and operators claim that customers have been both plentiful and willing to spend more on food than in the past. As a result, leisure foodservice operators are, like the rest of the industry, upscaling their establishments.

Breaking ground on this front was the year's most anticipated leisure event, the Summer Olympics in Los Angeles. Primary feeder ARA Services, Inc. created an extensive system designed to project a wholesome Olympic image while feeding some 700,000 tourists and 3 million local residents during the two week contest. ARA also provided foodservice for the 12,000 athletes and support staff members.

Because of the volume demands, ARA built all foodservice at the Olympic hub, Exposition Park, around pre-prepared foods. To avoid an un-Olympic commercial look, great attention was given to developing a "picnic atmosphere" with festive tents. Pre-packaged picnic lunches and baked goods were specially prepared and wrapped to appear homemade.

Supplementing these items at other locations was a round up of fast foods found more often in cafes than stadiums and fields. For example, at the LA Coliseum, where the track

This German brau hall is recreated at Disney's Epcot Center in Orlando, Fla.

and field events were held, vendor Volume Services altered its usual menu to include croissant sandwiches, fresh fruit salads, yogurt, and bagels with cream cheese.

Feeders at more routine sports events are also breaking away from the traditional hot dog and popcorn hegemony. Leading the pack is Olympia Arenas, Inc. (OAI), a subsidiary of Little Caesar Enterprises of Farmington Hills, Mich.

At its Joe Lewis Arena in Detroit, OAI has created a food fair arrangement containing a variety of canopied fast food concepts. Two Little Caesars outlets sell pizza by the slice (the arena's best seller) and a Mexican unit called Pancho's offers freshly made Tex-Mex items. Everything Yogurt, a franchised yogurt concept, and Bananas, a fruit concept, offer healthy alternatives. An express beer stand and Good Humor outlet complete the offerings.

"The look reflects a mall approach, with mercury vapor lamps and light oak panelling," says Jim Lites, vice-president of administration and operations.

Volume Services, which is the leisure division of Interstate United Corporation, has also been experimenting with new foods at non-Olympic events. According to senior vice president of marketing, Ken Young, nachos are outselling hot dogs at Arlington Stadium in Texas.

At the Louisiana World Exposition, running May to October in New Orleans, trendy fast foods are selling better than traditional items, though both are being outperformed by full-service restaurants.

The fair contains approximately 100 food or beverage outlets, 85 percent of which are fast food. Among the popular fast foods are over-the-counter crawfish (a local specialty), French-style sandwiches on baguettes, and the fair's most successful concession items, alcoholic frozen beverages.

Since attendance is running painfully below projections, New Orleans has not seen the overflow economic benefits that previous host cities have reaped. An exception is The Fulton Street Mall, a warehouse road that was renovated to hold most of the fair's full-serve restaurants. These restaurants, many of which feature international cuisine and offer entertainment, are not only meeting but exceeding projections. Victor Trapani, director of marketing/food and beverage concessions, predicts that some outlets will become permanent fixtures in the New Orleans restaurant world.

Full service restaurants are also outperforming fast food outlets at Walt Disney World's Epcot Center, in Orlando, Florida. Among Epcot's most well-known restaurants is Les Chefs de France, operated by renowned chefs Paul Bocuse, Roger Vergé, and Gaston Lenotre. Despite average per person dinner checks of $16-$18, the restaurant has been so successful that the owners are opening a second restaurant upstairs called Le Bistro de Paris. Also new to Epcot this year will be a Moroccan concept called El Marrakech.

Heightened customer involvement is increasingly important at smaller theme parks too. "We're preparing foods so that people can participate," says Melinda Ashcraft, director of foodservice at Bally Manufacturing's Six Flags Magic Mountain. Char-broiled meats, grilled corn-on-the-cob, and ice cream on homemade cones are new entries at Six Flags parks. Along with these new offerings come an improved price/value relationship: portions are larger and so are prices.

Upscaling is also occurring in the conservative museum/theater subsegment. Phoenix-based Greyhound Food Management has recently "themed" the foodservice outlets at the Los Angeles Museum of Art. Similar upgrading is planned for the San Francisco Opera House. Meanwhile, Restaurant Associates, headquartered in New York, has introduced regional specialties at Longwood Gardens in Kennett Square, Pennsylvania.

—Alexa Bell

Leisure Market: Foodservice Sales

1988: $4,400,000,000 + 7.5% Compound Annual Sales Growth

	1982 Sales ($000,000)	1982 Purchases ($000,000)	1982 VS 1981 % Sales Growth	1983 Sales ($000,000)	1983 Purchases ($000,000)	1983 VS 1982 % Sales Growth	1988 Sales Growth ($000,000)	1983-1988 % Compound Annual Growth	
								Nominal	Real
Theme Parks, Arenas, Stadiums, & Tracks	1,873	657	6.0	2,011	705	7.4	***	***	***
Drive-In Movie Theaters	216	68	15.4	238	75	10.1	***	***	***
Bowling Lanes	646	236	4.6	693	253	7.3	***	***	***
Summer Camps & Hunting Facilities	115	69	-0.5	117	70	1.5	***	***	***
TOTAL	2,850	1,030	6.8	3,059	1,103	7.3	4,400	7.5	2.9

****There is not sufficient data to develop individual projections for these sub-market segments.*

17th Annual Restaurant Growth Index

by Jeffrey Hall

Changes in American society—income, population, family structure—will present challenges and opportunities for restaurant executives.

How will the restaurant industry grow in the second half of the 1980s? Growth *will* come—few observers doubt that. Economist Michael G. Van Dress states in a recent U.S. Department of Agriculture report, entitled *Dining Out,* "The (restaurant) industry will likely expand at a slower rate than it did in the 1966-1979 wave of development." Van Dress foresees stiff competition among restaurants, with resulting measures such as price cutting, promotions, menu expansion, and increased services.

The detailed tables that make up the heart of the Restaurant Growth Index give you specific market information that tells you how likely the consumers in each area are to eat out (the Restaurant Activity Index, or RAI) and how well supply meets demand in each market (the Restaurant Growth Index, or RGI). More information on the technical aspects of these data is given in the accompanying definitions, but the key point for now is that these tables give you a tool for getting a grip on current trends in your market area. But to show the background for the situation in each specific area, we turn in this article to a look at overall social and industry trends, and how the foodservice industry is affected by them. This broad, long-range survey of the trends we face will focus on a variety of topics: Winners and losers in market growth; income trends; the aging of the population; changes in family structure; and the growing success of women in economic life. Together, these changes in our society present challenges and opportunities for the restaurant executive ready to recognize them.

A major change in America continues to be in where people live. In the early 1970s, analysts noticed for the first time in recent decades that the population outside metropolitan areas was increasing more rapidly than that inside. Now, it appears as if that trend has reverted to the older historical pattern. Although non-metropolitan areas are still growing, the metropolitan areas are once again enjoying faster growth.

Metropolitan growth has tended to concentrate in suburbs rather than central cities of these metros, as has been the case during recent times. Newer, western and southern metropolitan areas are growing, in many cases including their central cities, while the cities in the Northeast and Southwest lost population. *Table 1* shows the 25 largest cities in the nation, all of which form the hubs of major metropolitan markets. Many of these cities are losing residents, often to their suburban rings. However, those in the South and West have tended to grow, to the point where 14 of the 25 largest cities are now found in these regions.

Table 1 also shows trends in median family income during the 1970s in these large cities. As we see there, the national median family income grew by 108 percent during that decade. Of course, most of this growth was due to inflation, but the figures remain useful for comparing trends in different cities. *Table 1* shows that Houston and San Jose were the big winners with median family income growing much faster than the national average. San Antonio, Phoenix, Denver, New Orleans, and Seattle had growth at nearly the national rate. On the other hand, Detroit, New York, Boston, Cleveland, and Baltimore lagged behind in their rates of family income growth.

These rates of growth do not show the entire picture of course. For example, overall median family income remains higher in Boston than in San Antonio—but the trends, revealed by comparing rates of growth, do show increasing economic vitality along with growing population in cities in the sun belt, while older industrialized cities are lagging behind.

More up-to-date information on a national basis is available for household income. (Households include persons living alone or unrelated groups, while families must have at least two people and these must be related.) Median household income has grown from $7,143 in 1967 to $20,171 in 1982. This growth in income may now be the most significant factor in restaurant growth for, as Van Dress points out in the above-mentioned report, "Rising incomes have drawn the American diner away from home." Yet, in terms of spending power, real median income after inflation has been taken into account has actually declined slightly. Nevertheless, the

continued on page 158

perception of more money in the paycheck has encouraged a psychology of increased consumer willingness to spend.

An important income trend is shown in *Table 2*. The increasing number of households earning under $15,000 is counterbalanced by an increase in those earning over $35,000. These figures have been adjusted to take inflation into account. Declines have occurred in the middle-income categories. If this trend continues, it points up the crucial importance of careful targeting of your marketing, advertising, pricing, and menu decisions; few restaurants will be able to serve the broad spectrum of the consuming public as that public becomes less of a broad spectrum and more specialized in tastes, preferences, and abililty to pay for inexpensive meals or luxury dining experiences.

How you identify and appeal to your segment of the market becomes an increasingly important question. For restaurant owners and managers fortunate

continued on page 160

Table 1

America's 25 Largest Cities [1]

City	1982 Population	1970 Population	pop. % change '70-'82	med. fam. income % change '70-'80
New York, NY.	7,086,096	7,895,563	-10	74
Los Angeles, CA.	3,022,247	2,811,801	7	85
Chicago, IL.	2,997,155	3,369,357	-11	83
Houston, TX.	1,725,617	1,253,479	38	122
Philadelphia, PA.	1,665,382	1,949,996	-15	75
Detroit, MI.	1,138,717	1,514,063	-25	69
Dallas, TX.	943,848	844,303	12	97
San Diego, CA.	915,956	697,027	31	98
Phoenix, AZ.	824,230	587,016	40	104
San Antonio, TX.	819,021	708,582	16	105
Honolulu, HA.	781,899	630,528	24	89
Baltimore, MD.	774,113	905,787	-16	78
Indianapolis, IN.	707,655	793,769	-11	92
San Francisco, CA.	691,637	715,674	-3	99
San Jose, CA.	659,181	461,212	43	115
Memphis, TN.	645,760	657,007	-4	96
Washington, D.C.	633,425	756,668	-16	99
Milwaukee, WI.	631,509	717,372	-12	92
Columbus, OH.	570,588	540,025	6	90
New Orleans, LA.	564,561	593,471	-5	102
Boston, MA.	560,847	641,071	-13	76
Cleveland, OH.	558,869	750,879	-26	76
Jacksonville, FL.	556,370	528,865	5	104
Denver, CO.	505,563	514,678	-2	102
Seattle, WA.	490,077	530,831	-12	100

[1] *As of mid-1982 by rank with population and income change.*

Table 2

Household Incomes

	Under $15,000	$15,000-$25,000	$25,000-$35,000	$35,000 & over
1967	34.9%	27.0%	22.3%	15.8%
1982	37.4%	23.6%	16.9%	22.1%

Dollar figures are in terms of 1982 buying power.

enough to be located in growing market areas, the task may be easier: Where there are increasing numbers of people with growing incomes, there should be increasing numbers of customers. But even with that pleasant prospect, the kind of people who are current or potential customers is changing. We'll turn next to these changes, starting with one that could have a dramatic effect on the foodservice industry as a whole.

If recent patterns of birth, death, and immigration continue, the U.S. is about to enter a period of slowing growth. Although the total number of Americans will increase, that increase will come at an ever-slowing rate. Thus, although individual businesses or companies may be located in a growth market, the foodservice industry in general is not, nor is any service and consumer oriented industry.

Growth in the foodservice industry will come through better market penetration and expansion. The total customer base is growing slowly, so restaurants must find ways to inspire current customers to dine out more often, and to lure customers who previously devoted more of their food dollar to at-home consumption. The industry has been doing a great job of accomplishing that over the past two decades, but a point will eventually be reached when this task becomes more and more difficult. As the nation's growth slows and the foodservice industry becomes increasingly competitive, what characteristics will mark the new customer?

With the slowing growth in population comes an aging of Americans. The average age of the population, now almost 31 years, will continue to go up, as the number of babies born remains low, while the lifespan of adults continues to lengthen. By the end of the 1980s, the median age will have reached 33, and by the end of this century, half the population will be over 36. The average lifespan will have risen to 71.6 years for men and 79.2 years for women by 1990. In that same year, nearly 32 million Americans will be over 65. One of the greatest opportunities for growth in the foodservice industry is in response to this maturing of the market.

Related to this aging of the population is another significant trend: Rapidly growing numbers of retirees. At the current time, there are 5.2 people of working age, 18-64, for every person of retirement age. But because our population is growing older, that number will drop to 4.7 working-age Americans for every retirement-age person by the year 2000. The longer-term view is even more startling: A person entering the job market this year at the age of 21 might anticipate retirement at age 65 in the year 2028. By that time, for every retirement-age American, only 2.7 working-age people will be available for the job market. Although this long-term trend won't show an immediate impact on the restaurant industry (it might suggest, however, that you consider planning carefully for your own retirement), it does point out dramatically the extent to which the market for the foodservice industry is growing older. Long range plans for expansion must take this trend into account.

Increasing fragmentation of household and family units is another important demographic factor. Restaurants should find ways to encourage persons living alone to rely on the foodservice industry. Currently, one-person households are more likely than any other size group to devote a large portion of their food budget to food away from home. About 45 percent of the food dollar of single person households goes to foodservice.

Many different trends have led to a growing proportion of households occupied by persons living alone, to the point where now nearly one of every four households is occupied by an individual. In 1970, the figure was only 17 percent. Among the trends contributing to this is the aging of the population. About 30 percent of our elderly live by themselves. Also significant is the increase in the number of divorced persons, many of whom are now occupying one-person households. In 1960, for every 1000 married persons, there were 35 divorced persons. That grew to 47 in 1970, then began increasing at an even greater rate. By 1980, we had 100 divorced Americans for every 1000 Americans, and by 1983, the number had grown even more, to 114. This, along with people's tendency to wait to a slightly older age before entering marriage, has led to the growth in persons living alone. These one-person households constitute an important part of the market for food away from home, both at lunch and in the evening.

Single-parent families also present an opportunity for the foodservice industry. Both as a treat for the children and a respite from the demands of cooking for the working parent, a meal out can be especially appealing to this growing segment of the population. In 1970, 12 percent of all children lived with one parent; by 1980, that had grown to 20 percent, and by 1983, nearly 23 percent of all children lived with only one parent.

Perhaps the most significant demographic trend of the 1970's, and one that continues up to the present, is the changing status of women. In 1970, 43 percent of women over the age of 16 were in the work force; this included about 5 of 10 women between the ages of 20 and 44. By 1982, 53 percent of all women over 16 were in the work force, including nearly 7 of 10 women between 20 and 44.

This increase in working women means an expanded customer base for the foodservice industry; more dual-earner families, with additional disposable income for dining out; and more women in the lunchtime popula-

continued on page 162

tion served by the foodservice industry in restaurants and on-site facilities.

And women's participation in the labor force is by no means confined to dead-end or lower paying jobs. The biggest increase among major occupation groups came in the executive, administrative, and managerial area, where women held 18.5 percent of all jobs in 1970. By 1980, 30.5 percent of these upper level jobs were being done by women. Female participation also grew significantly in professional specialty positions (44 to 49 percent), technical jobs (34 to 44 percent), and sales (41 to 47 percent). Although many other occupations are still the domain of one sex or the other (craftsmen's jobs stayed about 94 percent male, clerical jobs moved from just under to just over 75 percent female), the increase in women in the work force makes them one of the most important targets for increasing the customer base of the foodservice industry in the face of the overall slowing of population growth in this country.

We have seen from this survey of some of the major demographic trends in the U.S. that the task facing the foodservice industry is not an easy one. Yet the same changes that make success more difficult also present opportunities for those who recognize and seize them.

The maturing of the market has brought about a renewed interest in expansion of menu items and targeted promotions. The growing workforce and the increasing number of women in white-collar poistions, as well as the increase in the number of persons in the more affluent income categories presents the opportunity for increasing lunchtime business. Women in the workforce may also create a growing demand for breakfast.

Definitions

Updated from the 1980 U.S. Census of Population and Housing, it is an estimate of the number of people living in an area at the end of the year. It includes people living in colleges and hospitals, and armed forces permanently assigned to the area, but excludes tourists and transients. Large changes in group-quarters populations are not projected in these forecasts.

Demographic statistics have been estimated employing a population component procedure. That is, independent county estimates of births, mortality, and migration are generated. These population components are aggregated and either added or subtracted from the appropriate benchmark.

Fertility rates, for example, have been projected at their current rate of change. We assume that the pattern of births will continue its slow but steady rate. Similarly, we have asssumed that no major medical advancement will be found over the next few years and that the mortality rates that are in effect today will continue unmodified.

Percent of U.S. Pop.:

A market's share of the total U.S. population.

Household:

A household consists of all the people occupying a single housing unit under 1980 census rules—such as a house, an apartment, a group of rooms, or a single room. The members of a household need not be related, and a single person living alone in a housing unit is also counted as a household.

All persons who are not members of households are regarded as living in group quarters: institutions, college dormitories, military barracks, etc. Caution: Although a county's population total will include all the people in the area, the household total will not do so because it excludes those living in group quarters.

Average Household Size:

Total population divided by the number of households. Depending upon whether it is above or below the U.S. average, it is used as a rough indicator of the relative importance of family-type units or single-person units in a local area.

However, the figure can be artificially high in those relatively few counties where there is a disproportionate share of college, military, or other types of institutional population. The people living in such group quarters are part of the population total, but their dwellings are not part of the household total.

Eating and Drinking Places:

Includes establishments selling prepared foods and drinks for consumption on or near the premises or for takeout, as well as lunch counters and refreshment stands selling prepared foods and drinks for immediate consumption. Also included are caterers and in-plant food contractors, as well as leased eating and/or drinking concessions in theaters, hotels, amusement parks, etc. Restaurants and lunch counters operated by department stores are classified in General Merchandise Group; those operated by hotels are classified in the Hotels Group.

Eating Places:

Includes retail sales of restaurants and lunch rooms, social caterers, cafeterias, fast food sales, contract feeding, and ice cream and frozen custard stands. Excludes drinking place sales.

Restaurants:

Establishments engaged in serving prepared food and beverages selected by the patron from a full menu. Waiter or waitress service is provided and the establishment has seating facilities for at least 15 patrons. These establishments often serve alcoholic beverages. Establishments in which sales of alcoholic beverages for consumption on the premises exceed receipts from sales of prepared foods and nonalcoholic beverages are classified as "Drinking places."

Fast Food:

Establishments primarily selling limited lines of refreshments and prepared food items. Included in this group are establishments which prepare refreshment items such as pizza, barbecued chicken, and hamburgers for consumption either on or near the premises or for "take home" consumption.

Market Share:

Represents the percent of eating places from fast food

continued on page 164

The maturing of the market has brought about a renewed interest in expansion of menu items and opportunities for increasing lunch and breakfast business.

units or from restaurants. It is indicative of customer preference for these types of establshments in that area.

Restaurant Activity Index (RAI):

The percent of U.S. eating place sales divided by the percent of U.S. food store sales, expressed as an index. An index greater than 100 indicates more than average propensity to eat out rather than at home.

Restaurant Growth Index (RGI):

The RGI is designed to show the relationship between retaurant supply and demand in each market as an index. When supply equals demand, the index is 100. When demand exceeds supply, and the potential for growth is present, the index will exceed 100. The amount by which the RGI exceeds 100 represents the proportion of growth potential that is present—an index of 120 means that the market's demand could support 20 percent growth. When the market is saturated, and supply exceeds demand, the index will drop below 100.

Demand is measured by six factors:

- Market's share of U.S. employed persons
- Market's share of U.S. working women
- Market's share of U.S. households with effective buying income of $25,000 or more
- Market's share of U.S. eating place sales
- Market's share of U.S. hotel and motel receipts
- Market's share of U.S. population age 14 & under; 25 to 44

These factors are given equal weight and added together to create the demand portion of the equation (i.e., A+B+C+D+E+F÷6).

Supply is measured by the percentage of U.S. total eating places located in the market.

The RGI is created by dividing demand by supply, and multiplying the result by 100, so that the final figure will be in index form.

Television Market:

The TV markets are the American Research Bureau's Areas of Dominant Influence (ADIs). ARB studies each county for its measurable viewing patterns. The hours of viewing accorded each TV station whose signal reached the county are totalled; then each station's percentage share of total viewing hours is calculated. The market of origin of the TV stations with the largest share of viewing hours becomes the ADI name for that market, and all counties whose largest viewing share is given to stations of that same market of origin are grouped within the ADI. (For its purposes, ARB splits certain counties, treating each portion as if it were a separate county.) Each county (or portion) is allocated exclusively to a single ADI; thus overlap is eliminated. All of the area of the United States is covered except for Hawaii and part of Alaska.

Metropolitan Statistical Areas (MSAs):

In the Restaurant Growth Index, metropolitan markets are identical with Federal government's definition of MSAs or PMSAs (Primary Metropolitan Statistical Area), except in New England, where NECMAs (New England County Metropolitan Areas) are used. These metropolitan markets are counties or groups of counties which meet certain criteria of metropolitan character.

The basic criteria for metropolitan areas are:

1. Each metropolitan statistical area must include a city which, with contiguous and densely settled territory, constitutes a Census Bureau defined urbanized area with at least 50,000 population.

2. If a metropolitan statistical area's largest city has less than 50,000 population, the area must have a total population of at least 100,000.

Thus, a city of 50,000 or an urbanized area surrounding a city with 50,000 and a population density of 1,000 per square mile becomes a basic test of the metropolitan character of an area. The county or counties in which the city or urbanized area is located, plus surrounding counties with heavy commuting between themselves and the core counties and population density sufficient to establish them as metropolitan, are designated as the metropolitan area.

Certain areas meet many tests of metropolitan character, but are located within larger, dominating metropolitan statistical areas of one million or more population. To preserve the identity of these areas within the large, "mega-metropolitan areas," the government devised a second level of metropolitan criteria. These criteria identify, within metropolitan areas of at least one million population, sub-areas that are called Primary Metropolitan Statstical Areas (PMSAs). A county or counties that express strong local opinion to be identified as a PMSA must have:

1. At least 100,000 population
2. At least 60 percent of its population urban
3. Less than 50 percent of its resident workers commuting to jobs outside the county.

The Restaurant Growth Index treats MSAs and PMSAs as equivalent areas, so that the most locally identifiable area that qualifies as metropolitan will be the one appearing in the statistical tables.

In New England, the offical MSA definitions are based on cities and towns rather than counties. Because the Restaurant Growth Index is developed from a county level data base, we use New England County Metropolitan Areas (NECMAs) in the six New England states. NECMAs are determined by using the MSA standards as described above. □

Jeffrey Hall, formerly director of marketing of Market Statistics, is a consultant to Restaurant Business Magazine. All data are copyrighted by Restaurant Business Magazine and Sales & Marketing Management Magazine and further reproduction without permission is prohibited.

Metropolitan Statistical Areas

The following list shows the definitions of each metropolitan area as covered in the Restaurant Growth Index and defined by the Federal government.

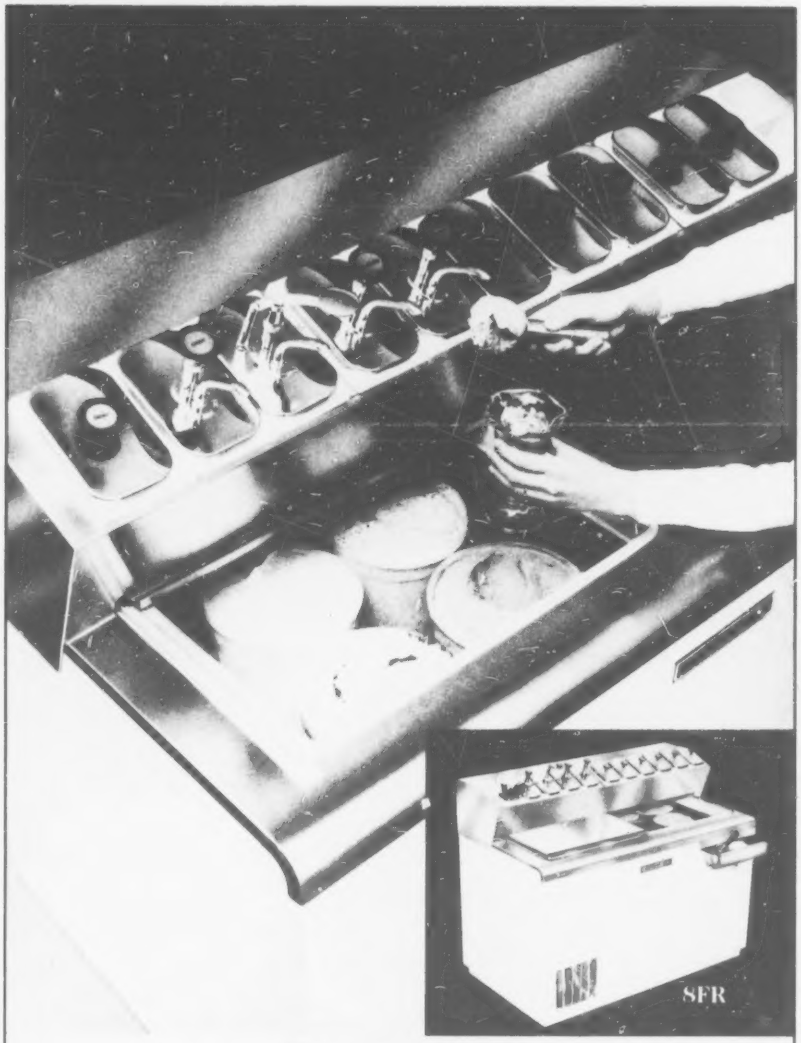
Abilene, TX—Taylor
Akron, OH—Portage, Summit
Albany, GA—Dougherty, Lee
Albany-Schenectady-Troy, NY—Albany, Greene, Montgomery, Renselaer, Saratoga, Schenectady
Albuquerque, NM—Bernalillo
Alexandria, LA—Rapides
Allentown-Bethlehem, PA-NJ—Carbon, Pennsylvania; Lehigh, Pennsylvania; Northampton, Pennsylvania; Warren, New Jersey
Alton-Granite City, IL—Jersey, Madison
Altoona, PA—Blair
Amarillo, TX—Potter, Randall
Anaheim-Santa Ana, CA—Orange
Anchorage, AK—Anchorage Borough
Anderson, IN—Madison
Anderson, SC—Anderson
Ann Arbor, MI—Washtenaw
Anniston, AL—Calhoun
Appleton-Oshkosh-Neenah, WI Calumet, Outagamie, Winnebago
Asheville, NC—Buncombe
Athens, GA—Clarke, Jackson, Madison, Oconee
Atlanta, GA—Barrow, Butts, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, Spalding, Walton
Atlantic City, NJ—Atlantic, Cape May
Augusta, GA-SC—Columbia, McDuffie, GA; Richmond, GA; Aiken, SC
Aurora-Elgin, IL—Kane, Kendall
Austin, TX—Hays, Travis, Williamson
Bakersfield, CA—Kern
Baltimore, MD—Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Anne's, Baltimore
Bangor, ME—Penobscot
Baton Rouge, LA—Ascension, East Baton Rouge, Livingston, West Baton Rouge
Battle Creek, MI—Calhoun
Beaumont-Port Arthur, TX—Hardin, Jefferson, Orange
Beaver County, PA—Beaver
Bellingham, WA—Whatcom
Benton Harbor,MI—Berrien
Bergen-Passaic, NJ—Bergen, Passaic
Billings, MT—Yellowstone
Biloxi-Gulfport, MS—Hancock, Harrison
Binghamton, NY—Broome, Tioga
Birmingham, AL—Blount, Jefferson, St. Clair, Shelby, Walker
Bismarck, ND—Burleigh, Morton
Bloomington, IN—Monroe
Bloomington-Normal, IL—McLean
Boise City, ID—Ada
Boston-Lawrence-Salem-Lowell-Brockton, MA—Essex, Middlesex, Norfolk, Plymouth, Suffolk
Boulder-Longmont, CO—Boulder
Bradenton, FL—Manatee
Brazoria, TX—Brazoria
Bremerton, WA—Kitsap
Bridgeport-Stamford-Norwalk-Danbury, CT—Fairfield
Brownsville-Harlingen, TX—Cameron
Bryan-College Station, TX—Brazos
Buffalo, NY—Erie
Burlington, NC—Alamance
Burlington, VT—Chittenden, Grand Isle
Canton, OH—Carroll, Stark
Casper, WY—Natrona
Cedar Rapids, IA—Linn
Champaign-Urbana-Rantoul, IL—Champaign
Charleston, SC—Berkeley, Charleston, Dorchester
Charleston, WV—Kanawha, Putnam
Charlotte-Gastonia-Rock Hill, NC-SC—Cabarrus, Gaston, Lincoln, Mecklenburg, Rowan, Union, all NC; York, SC
Charlottesville, VA—Albemarle, Fluvanna, Greene, Charlottesville
Chattanooga, TN-GA—Hamilton, TN; Marion, TN; Sequatchie, TN; Catoosa, GA; Dade, GA; Walker, GA
Chicago, IL—Cook, DuPage, McHenry
Chico, CA—Butte
Cincinnati, OH-KY-IN—Clermont, OH; Hamilton, OH; Warren, OH; Boone, KY; Campbell, KY; Kenton, KY; Dearborn, IN
Clarksville-Hopkinsville, TN-KY—Montgomery, TN; Christian, KY
Cleveland, OH—Cuyahoga, Geauga, Lake, Medina
Colorado Springs, CO—El Paso
Columbia, MO—Boone
Columbia, SC—Lexington, Richland
Columbus, GA-AL—Chattahoochee, GA; Muscogee, GA; Russell, AL
Columbus, OH—Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, Union
Corpus Christi, TX—Nueces, San Patricio
Cumberland, MD-WV—Allegany, MD; Mineral, WV
Dallas, TX—Collin, Dallas, Denton, Ellis, Kaufman, Rockwall
Danville, VA—Pittsylvania, Danville
Davenport-Rock Island-Moline, IA-IL—Scott, IA; Henry, IL; Rock Island, IL
Dayton-Springfield, OH—Clark, Greene, Miami, Montgomery
Daytona Beach, FL—Volusia
Decatur, IL—Macon
Denver, CO—Adams, Arapahoe, Denver, Douglas, Jefferson
Des Moines, IA—Dallas, Polk, Warren
Detroit, MI—Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair, Wayne
Dothan, AL—Dale, Houston
Dubuque, IA—Dubuque
Duluth, MN-WI—St. Louis, MN; Douglas, WI
East St. Louis-Belleville, IL—Clinton, St. Clair
Eau Claire, WI—Chippewa, Eau Claire
El Paso, TX—El Paso
Elkhart-Goshen, IN—Elkhart
Elmira, NY—Chemung
Enid, OK—Garfield
Erie, PA—Erie
Eugene-Springfield, OR—Lane
Evansville, IN-KY—Posey, IN; Vanderburgh, IN; Warrick, IN; Henderson, KY
Fargo-Moorehead, ND-MN—Cass, ND; Clay, MN
Fayetteville, NC—Cumberland
Fayetteville-Springdale, AR—Washington
Flint, MI—Genesee
Florence, AL—Colbert, Lauderdale
Florence, SC—Florence
Fort Collins-Loveland, CO—Larimer
Fort Lauderdale-Hollywood-Pompano Beach, FL—Broward
Fort Myers, FL—Cape Coral, Lee
Fort Pierce, FL—Martin, St. Lucie
Fort Smith, AR-OK—Crawford, Sebastian, AR; Sequoyah, OK
Fort Walton Beach, FL—Okaloosa
Fort Wayne, IN—Allen, De Kalb, Whitley
Fort Worth-Arlington, TX—Johnson, Parker, Tarrant
Fresno, CA—Fresno
Gadsden, AL—Etowah
Gainesville, FL—Alachua, Bradford
Galveston-Texas City, TX—Galveston
Gary-Hammond, IN—Lake, Porter
Glens Falls, NY—Warren, Washington
Grand Forks, ND—Grand Forks
Grand Rapids, MI—Kent, Ottawa
Great Falls, MT—Cascade
Greeley, CO—Weld

continued on page 172

MSAs *continued from page 168*

Green Bay, WI—Brown
Greensboro-Winston-Salem-High Point, NC—Davidson, Davie, Forsyth, Guilford, Randolph, Stokes, Yadkin
Greenville-Spartanburg, SC—Greenville, Pickens, Spartanburg
Hagerstown, MD—Washington
Hamilton-Middletown, OH—Butler
Harrisburg-Lebanon-Carlisle, PA—Cumberland, Dauphin, Lebanon, Perry
Hartford-New Britain-Middletown-Bristol, CT—Hartford, Middlesex, Tolland
Hickory, NC—Alexander, Burke, Catawba
Honolulu, HI—Honolulu
Houma-Thibodaux, LA—Lafourche, Terrebonne
Houston, TX—Fort Bend, Harris, Liberty, Montgomery, Waller
Huntington-Ashland, WV-KY-OH—Cabell, WV; Wayne, WV; Boyd, KY; Carter, KY; Greenup, KY; Lawrence, OH
Huntsville, AL—Madison
Indianapolis, IN—Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Shelby
Iowa City, IA—Johnson
Jackson, MI—Jackson
Jackson, MS—Hinds, Madison, Rankin
Jacksonville, FL—Clay, Duval, Nassau, St. Johns
Jacksonville, NC—Onslow
Janesville-Beloit, WI—Rock
Jersey City, NJ—Hudson
Johnson City-Kingsport-Bristol, TN-VA—Carter, TN; Hawkins, TN; Sullivan, TN; Unicoi, TN; Washington, TN; Scott, VA; Washington, VA; Bristol, VA
Johnstown, PA—Cambria, Somerset
Joliet, IL—Grundy, Will
Joplin, MO—Jasper, Newton
Kalamazoo, MI—Kalamazoo
Kankakee, IL—Kankakee
Kansas City, MO-KS (recombined)—Cass, Clay, Jackson, Lafayette, Platte, Ray, all MO; Johnson, Leavenworth, Miami, Wyandotte, all KS.
Kenosha, WI—Kenosha
Killeen-Temple, TX—Bell, Coryell
Knoxville, TN—Anderson, Blount, Grainger, Jefferson, Knox, Sevier, Union
Kokomo, IN—Howard, Tipton
La Crosse, WI—La Crosse
Lafayette, LA—Lafayette, St. Martin
Lafayette, IN—Tippecanoe
Lake Charles, LA—Calcasieu
Lake County, IL—Lake
Lakeland-Winter Haven, FL—Polk
Lancaster, PA—Lancaster
Lansing-East Lansing, MI—Clinton, Eaton, Ingham
Laredo, TX—Webb
Las Cruces, NM—Dona Ana
Las Vegas, NV—Clark
Lawrence, KS—Douglas
Lawton, OK—Comanche
Lewiston-Auburn, ME—Androscoggin
Lexington-Fayette, KY—Bourbon, Clark, Fayette, Jessamine, Scott, Woodford
Lima, OH—Allen, Auglaize
Lincoln, NE—Lancaster
Little Rock-North Little Rock, AR—Faulkner, Lonoke, Pulaski, Saline
Longview-Marshall, TX—Gregg, Harrison
Lorain-Elyria, OH—Lorain
Los Angeles-Long Beach, CA—Los Angeles
Louisville, KY-IN—Bullitt, KY; Jefferson, KY; Oldham, KY; Shelby, KY; Clark, IN; Floyd, IN; Harrison, IN
Lubbock, TX—Lubbock
Lynchburg, VA—Amherst, Campbell, Lynchburg
Macon-Warner Robins, GA—Bibb, Houston, Jones, Peach
Madison, WI—Dane
Manchester, NH—Hillsborough
Mansfield, OH—Richland
McAllen-Endinburg-Mission, TX—Hidalgo
Medford, OR—Jackson
Melbourne-Titusville-Palm Bay, FL—Brevard
Memphis, TN-AR-MS—Shelby, TN; Tipton, TN; Crittenden, AR; De Soto, MS
Miami-Hialeah, FL—Dade
Middlesex-Somerset-Hunterdon, NJ—Hunterdon, Middlesex, Somerset
Midland, TX—Midland
Milwaukee, WI—Milwaukee, Ozaukee, Washington, Waukesha
Minneapolis-St. Paul, MN-WI—Anoka, MN; Carver, MN; Chisago, MN; Dakota, MN; Hennepin, MN; Isanti, MN; Ramsey, MN; Scott, MN; Washington, MN; Wright, MN; St. Croix, WI
Mobile, AL—Baldwin, Mobile
Modesto, CA—Stanislaus
Monmouth-Ocean, NJ—Monmouth, Ocean
Monroe, LA—Ouachita
Montgomery, AL—Autauga, Elmore, Montgomery
Muncie, IN—Delaware
Muskegon, MI—Muskegon
Naples, FL—Collier
Nashville, TN—Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, Wilson
Nassau-Suffolk, NY—Nassau, Suffolk
New Bedford-Fall River-Attleboro, MA—Bristol
New Haven-Waterbury-Meriden, CT—New Haven
New London-Norwich, CT—New London
New Orleans, LA—Jefferson, Orleans, St. Bernard, St. Charles, St. John the Baptist, St. Tammany
New York, NY—Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, Westchester
Newark, NJ—Essex, Morris, Sussex, Union
Niagara Falls, NY—Niagara
Norfolk-Virginia Beach-Newport News, VA—Gloucester, James City, York, Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg
Oakland, CA—Alameda, Contra Costa
Ocala, FL—Marion
Odessa, TX—Ector
Oklahoma City, OK—Canadian, Cleveland, Logan, McClain, Oklahoma, Pottawatomie
Olympia, WA—Thurston
Omaha, NE-IA—Douglas, NE; Sarpy, NE; Washington, NE; Pottawattamie, IA
Orange County, NY—Orange
Orlando, FL—Orange, Osceola, Seminole
Owensboro, KY—Daviess
Oxnard-Ventura, CA—Ventura
Panama City, FL—Bay
Parkersburg-Marietta, WV-OH—Wood, WV; Washington, OH
Pascagoula, MS—Jackson
Pensacola, FL—Escambia, Santa Rosa
Peoria, IL—Peoria, Tazewell, Woodford
Philadelphia, PA-NJ—Bucks, PA; Chester, PA; Delaware, PA; Montgomery, PA; Philadelphia, PA; Burlington, NJ; Camden, NJ; Gloucester, NJ
Phoenix, AZ—Maricopa
Pine Bluff, AR—Jefferson
Pittsburgh, PA—Allegheny, Fayette, Washington, Westmoreland
Pittsfield, MA—Berkshire
Portland, ME—Cumberland
Portland, OR—Clackamas, Multnomah, Washington, Yamhill
Portsmouth-Dover-Rochester, NH—Rockingham, Strafford
Poughkeepsie, NY—Dutchess
Providence-Pawtucket-Woonsocket, RI—Bristol, Kent, Providence, Washington
Provo-Orem, UT—Utah
Pueblo, CO—Pueblo
Racine, WI—Racine
Raleigh-Durham, NC—Durham, Franklin, Orange, Wake
Reading, PA—Berks
Redding, CA—Shasta
Reno, NV—Washoe
Richland-Kennewick-Pasco, WA—Benton, Franklin
Richmond-Petersburg, VA—Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, New Kent, Pawhatan, Prince George, Colonial Heights, Hopewell, Petersburg, Richmond
Riverside-San Bernardino, CA—Riverside, San Bernardino
Roanoke, VA—Botetourt, Roanoke County, Roanoke City, Salem
Rochester, MN—Olmstead
Rochester, NY—Livingston, Monroe, Ontario, Orleans, Wayne
Rockford, IL—Boone, Winnebago
Sacramento, CA—El Dorado, Placer, Sacramento, Yolo
Saginaw-Bay City-Midland, MI—Bay, Midland, Saginaw
Santa Fe, NM—Los Alamos, Santa Fe
St. Cloud, MN—Benton, Sherburne, Stearns
St. Joseph, MO—Buchanan
St. Louis, MO-IL—Franklin, MO; Jefferson, MO; St. Charles, MO; St. Louis County, MO; St. Louis City, MO; Monroe, IL
Salem, OR—Marion, Polk
Salinas-Seaside-Monterey, CA—Monterey
Salt Lake City-Ogden, UT—Davis, Salt Lake, Weber
San Angelo, TX—Tom Green
San Antonio, TX—Bexar, Comal, Guadalupe
San Diego, CA—San Diego
San Francisco, CA—Marin, San Francisco, San Mateo
San Jose, CA—Santa Clara
Santa Barbara-Santa Maria-Lompoc, CA—Santa Barbara
Santa Cruz, CA—Santa Cruz
Santa Rosa-Petaluma, CA—Sonoma
Sarasota, FL—Sarasota
Savannah, GA—Chatham, Effingham
Scranton-Wilkes-Barre, PA—Columbia, Lackawanna, Luzerne, Monroe, Wyoming
Seattle, WA—King, Snohomish
Sharon, PA—Mercer
Sheboygan, WI—Sheboygan
Sherman-Denison, TX—Grayson
Shreveport, LA—Bossier, Caddo
Sioux City, IA-NE—Woodbury, IA, Dako-

continued on page 174



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Tuscaloosa, AL—Tuscaloosa
Tyler, TX—Smith
Utica-Rome, NY—Herkimer, Oneida
Vallejo-Fairfield-Napa, CA—Napa, Solano
Vancouver, WA—Clark
Victoria, TX—Victoria
Vineland-Millville-Bridgeton, NJ—Cumberland
Visalia-Tulare-Porterville, CA—Tulare
Waco, TX—McLennan
Washington, DC-MD-VA—District of Columbia; Calvert, MD; Charles, MD; Frederick, MD; Montogomery, MD; Prince George's, MD; Arlington, VA; Fairfax, VA; Loudon, VA; Prince William, VA; Stafford, VA; Alexandria, VA; Fairfax, VA; Falls Church, VA; Manassas, VA; Manassas Park, VA
Waterloo-Cedar Falls, IA—Black Hawk, Bremer
Wausau, WI—Marathon
West Palm Beach-Boca Raton-Delray Beach, FL—Palm Beach
Wheeling, WV-OH—Marshall, WV; Ohio, WV; Belmont, OH
Wichita, KS—Butler, Sedgwick
Wichita Falls, TX—Wichita
Williamsport, PA—Lycoming
Wilmington, DE-MD-NJ—New Castle, DE; Cecil, MD; Salem, NJ
Wilmington, NC—New Hanover
Worcester, MA—Worcester
Yakima, MA—Yakima
York, PA—Adams, York
Youngstown-Warren, OH—Mahoning, Trumbull
Yuba City, CA—Sutter, Yuba □

RGI Regional Summary

REGION State	12/31/83 Population (Thous.)	% Of U.S.	Average Household Size	1983 Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
Connecticut	3,133.1	1.3303	2.78	1,971,635	1,768,759	549,857	31	1,088,313	62	110	92
Maine	1,154.2	0.4901	2.75	555,507	532,812	182,219	34	310,961	58	91	84
Massachusetts	5,764.9	2.4477	2.74	3,801,826	3,421,144	940,417	27	2,229,394	65	110	100
New Hampshire	964.5	0.4095	2.79	548,812	531,639	148,846	28	343,127	65	90	93
Rhode Island	954.3	0.4052	2.72	555,747	489,967	150,007	31	303,677	62	114	84
Vermont	528.9	0.2245	2.78	313,520	282,616	75,832	27	185,312	66	102	94
NEW ENGLAND	**12,499.9**	**5.3073**	**2.75**	**7,747,047**	**7,026,937**	**2,047,178**	**29**	**4,460,784**	**63**	**107**	**94**
New Jersey	7,484.6	3.1778	2.81	3,764,725	3,079,218	961,646	31	1,887,439	61	78	116
New York	17,740.7	7.5325	2.72	8,133,838	7,226,831	2,105,834	29	4,580,907	63	88	96
Pennsylvania	11,916.6	5.0596	2.72	4,997,064	4,276,817	1,563,541	37	2,390,617	56	88	100
MIDDLE ATLANTIC	**37,141.9**	**15.7699**	**2.74**	**16,895,627**	**14,582,866**	**4,631,021**	**32**	**8,858,963**	**61**	**86**	**101**
Illinois	11,511.2	4.8874	2.72	5,934,115	5,261,510	2,025,313	38	2,839,609	54	111	100
Indiana	5,526.3	2.3464	2.82	2,603,695	2,345,041	1,112,725	47	1,044,254	45	101	87
Michigan	9,129.3	3.8761	2.83	3,997,772	3,492,861	1,324,997	38	1,901,765	54	93	95
Ohio	10,767.4	4.5717	2.69	5,491,125	4,857,371	2,098,424	43	2,387,524	49	101	91
Wisconsin	4,766.1	2.0236	2.74	2,608,243	2,061,439	668,373	32	1,239,997	60	111	90
EAST NORTH CENTRAL	**41,700.3**	**17.7052**	**2.75**	**20,634,950**	**18,018,222**	**7,229,832**	**40**	**9,413,149**	**52**	**103**	**94**
Iowa	2,934.0	1.2458	2.65	1,290,954	1,082,037	455,178	42	539,733	50	83	77
Kansas	2,430.2	1.0318	2.63	1,032,708	969,783	471,592	49	421,974	44	98	75
Minnesota	4,168.4	1.7699	2.77	2,061,060	1,783,267	566,377	32	1,081,280	61	97	104
Missouri	4,990.3	2.1189	2.71	2,214,287	2,042,556	916,900	45	964,016	47	85	90
Nebraska	1,603.4	0.6808	2.70	781,336	646,376	258,914	40	336,251	52	94	79
North Dakota	687.0	0.2916	2.81	326,131	255,717	97,309	38	137,992	54	107	87
South Dakota	705.8	0.2996	2.72	324,735	264,380	86,237	33	157,701	60	91	76
WEST NORTH CENTRAL	**17,519.1**	**7.4384**	**2.70**	**8,031,211**	**7,044,116**	**2,852,507**	**40**	**3,638,947**	**52**	**91**	**86**
Delaware	608.3	0.2583	2.83	290,894	262,806	104,814	40	137,955	52	96	97
District of Columbia	618.4	0.2625	2.49	560,855	505,124	144,907	29	321,726	64	240	159
Florida	10,815.5	4.5921	2.57	6,129,146	5,616,694	2,029,790	36	3,139,029	56	122	113
Georgia	5,777.4	2.4530	2.87	2,445,967	2,293,148	1,165,767	51	942,991	41	101	105
Maryland	4,327.7	1.8375	2.83	2,089,515	1,852,105	787,218	43	922,558	50	90	106
North Carolina	6,120.3	2.5986	2.78	2,505,693	2,425,138	1,242,573	51	988,169	41	98	92
South Carolina	3,306.8	1.4040	2.90	1,173,388	1,122,698	585,958	52	448,260	40	95	105
Virginia	5,583.5	2.3707	2.83	2,373,918	2,318,106	1,045,253	45	1,093,182	47	93	104
West Virginia	1,973.5	0.8380	2.76	571,045	532,738	280,932	53	209,826	39	55	96
SOUTH ATLANTIC	**39,131.4**	**16.6147**	**2.75**	**18,140,421**	**16,928,557**	**7,387,212**	**44**	**8,203,696**	**48**	**103**	**106**
Alabama	3,990.4	1.6943	2.79	1,287,668	1,223,260	708,510	58	416,962	34	78	99
Kentucky	3,753.2	1.5935	2.78	1,432,651	1,347,574	743,023	55	495,628	37	73	99
Mississippi	2,605.1	1.1060	2.96	671,800	640,426	350,043	55	240,161	38	58	98
Tennessee	4,719.8	2.0040	2.79	2,122,294	2,038,781	969,899	48	905,053	44	99	101
EAST SOUTH CENTRAL	**15,068.5**	**6.3978**	**2.82**	**5,514,413**	**5,250,041**	**2,771,475**	**53**	**2,057,804**	**39**	**80**	**99**
Arkansas	2,350.1	0.9979	2.78	715,119	692,409	382,794	55	253,791	37	72	77
Louisiana	4,471.7	1.8986	2.86	2,013,953	1,814,069	866,965	48	805,606	44	90	120
Oklahoma	3,345.6	1.4205	2.69	1,621,403	1,551,531	791,257	51	635,638	41	107	80
Texas	15,896.8	6.7495	2.84	8,400,488	7,577,109	3,436,412	45	3,517,143	46	100	101
WEST SOUTH CENTRAL	**26,064.2**	**11.0665**	**2.82**	**12,750,963**	**11,635,118**	**5,477,428**	**47**	**5,212,178**	**45**	**97**	**99**
Arizona	3,020.5	1.2824	2.69	1,540,070	1,367,785	494,380	36	768,651	56	100	101
Colorado	3,183.5	1.3516	2.63	1,965,416	1,763,305	570,366	32	1,056,184	60	110	100
Idaho	1,003.5	0.4261	2.88	430,085	373,899	138,230	37	206.177	55	78	85
Montana	822.6	0.3492	2.66	517,456	377,595	128,398	34	219,998	58	88	82
Nevada	904.6	0.3841	2.52	550,405	463,083	161,410	35	266,960	58	106	586
New Mexico	1,416.7	0.6015	2.85	702,949	631,381	262,943	42	316,592	50	98	88
Utah	1,642.4	0.6974	3.26	596,413	568,012	251,211	44	273,945	48	90	89
Wyoming	517.5	0.2197	2.72	329,620	261,133	99,050	38	140,859	54	103	141
MOUNTAIN	**12,511.3**	**5.3120**	**2.76**	**6,632,414**	**5,806,193**	**2,105,988**	**36**	**3,249,366**	**56**	**99**	**130**
Alaska	499.6	0.2121	2.94	464,445	348,783	130,397	37	192,930	55	120	160
California	25,332.3	10.7557	2.70	16,866,588	15,540,772	5,307,457	34	9,022,036	58	119	98
Hawaii	1,033.4	0.4388	3.17	975,329	890,944	289,939	33	534,770	60	200	176
Oregon	2,675.7	1.1361	2.59	1,502,609	1,329,553	478,206	36	746,779	56	117	80
Washington	4,346.7	1.8455	2.62	2,571,465	2,291,693	749,647	33	1,363,954	60	112	94
PACIFIC	**33,887.7**	**14.3882**	**2.70**	**22,380,436**	**20,401,745**	**6,955,646**	**34**	**11,860,469**	**58**	**120**	**100**
United States Total	**235,524.3**	**100.0000**	**2.75**	**118,727,482**	**106,693,795**	**41,458,287**	**39**	**56,955,356**	**53**	**100**	**100**

continued on page 180

Sales by Metropolitan Area

This segment of the Restaurant Growth Index shows 316 Metropolitan Statistical Areas (MSAs) as defined by the U.S. Office of Federal Statistical Policy and Standards.

	12/31/83			1983							
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
ALABAMA											
Anniston	122.8	0.0521	2.90	44,603	43,089	25,083	58	14,490	34	92	98
Birmingham	905.5	0.3845	2.70	358,930	338,565	186,063	55	123,886	37	89	100
Dothan	125.8	0.0535	2.85	43,249	42,218	26,130	62	13,676	32	86	90
Florence	138.4	0.0587	2.72	40,677	40,677	23,678	58	13,679	34	62	83
Gadsden	104.3	0.0443	2.72	37,082	35,124	20,450	58	11,810	34	88	75
Huntsville	199.2	0.0846	2.74	118,332	110,373	63,965	58	38,312	35	155	128
Mobile	461.4	0.1959	2.83	177,959	163,194	93,629	57	55,080	34	93	105
Montgomery	287.0	0.1218	2.84	128,780	122,605	69,585	57	38,669	32	116	117
Tuscaloosa	142.3	0.0604	2.83	54,961	52,677	30,665	58	17,714	34	101	96
Non-Metro Portion of State	1,456.9	0.6186	2.84	271,390	263,678	162,828	62	85,928	33	46	91
State Total	**3,990.4**	**1.6943**	**2.79**	**1,287,668**	**1,223,260**	**708,510**	**58**	**416,962**	**34**	**78**	**99**
ALASKA											
Anchorage	217.5	0.0924	2.75	240,825	190,410	80,270	42	104,684	55	133	158
Non-Metro Portion of State	282.1	0.1197	3.10	223,620	158,373	50,127	32	88,246	56	108	162
State Total	**499.6**	**0.2121**	**2.94**	**464,445**	**348,783**	**130,397**	**37**	**192,930**	**55**	**120**	**160**
ARIZONA											
Phoenix	1,681.8	0.7141	2.63	966,384	869,839	315,521	36	476,700	55	109	115
Tucson	590.1	0.2506	2.58	279,779	246,847	98,753	40	132,028	53	91	90
Non-Metro Portion of State	748.6	0.3177	2.97	293,907	251,099	80,106	32	159,923	64	85	81
State Total	**3,020.5**	**1.2824**	**2.69**	**1,540,070**	**1,367,785**	**494,380**	**36**	**768,651**	**56**	**100**	**101**
ARKANSAS											
Fayetteville - Springdale	104.6	0.0445	2.75	48,812	47,264	26,923	57	16,769	35	108	65
Fort Smith	173.2	0.0735	2.76	83,755	81,192	45,706	56	29,314	36	100	82
Little Rock - North Little Rock	494.9	0.2101	2.79	195,862	191,038	105,932	55	69,086	36	95	102
Pine Bluff	89.4	0.0379	2.95	24,597	23,673	13,486	57	8,401	35	70	74
Texarkana	118.4	0.0503	2.75	51,466	49,228	24,116	49	21,167	43	71	72
Non-Metro Portion of State	1,436.2	0.6098	2.78	345,387	334,150	181,646	54	125,508	38	59	68
State Total	**2,350.1**	**0.9979**	**2.78**	**715,119**	**692,409**	**382,794**	**55**	**253,791**	**37**	**72**	**77**
CALIFORNIA											
Anaheim - Santa Ana	2,129.4	0.9041	2.73	1,623,210	1,539,702	530,730	34	921,057	60	136	102
Bakersfield	443.4	0.1883	2.83	260,089	238,976	87,369	37	135,262	57	90	91
Chico	160.3	0.0681	2.49	85,628	75,876	26,060	34	46,961	62	96	73
Fresno	555.2	0.2357	2.82	272,232	245,650	102,602	42	132,970	54	86	76
Los Angeles - Long Beach	7,719.1	3.2774	2.73	5,190,182	4,845,133	1,590,927	33	2,800,939	58	126	102
Modesto	293.4	0.1245	2.76	159,590	145,869	63,936	44	70,906	49	98	87
Oakland	1,847.6	0.7844	2.58	1,119,957	1,019,527	362,664	36	563,414	55	108	99
Oxnard - Ventura	589.8	0.2504	2.98	292,045	271,920	109,305	40	153,604	56	86	104
Redding	131.4	0.0558	2.62	55,156	46,498	15,965	34	28,763	62	61	67

continued on page 184

	12/31/83			1983		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
CALIFORNIA *continued*											
Riverside - San Bernardino	1,751.6	0.7437	2.79	909,197	835,749	345,823	41	434,928	52	104	88
Sacramento	1,217.5	0.5168	2.55	823,175	754,053	269,813	36	426,845	57	111	90
Salinas - Seaside - Monterey	316.5	0.1343	3.00	214,172	198,994	51,786	26	134,378	68	144	99
San Diego	2,036.1	0.8645	2.72	1,281,599	1,167,538	445,134	38	663,868	57	127	109
San Francisco	1,507.2	0.6400	2.39	1,698,629	1,529,232	394,966	26	967,270	63	164	112
San Jose	1,390.9	0.5906	2.73	1,094,271	1,012,621	371,645	37	548,518	54	127	120
Santa Barbara - Santa Maria - Lompoc	316.4	0.1343	2.67	257,391	242,434	65,799	27	164,693	68	155	88
Santa Cruz	215.1	0.0913	2.62	144,049	132,688	46,213	35	78,891	59	107	69
Santa Rosa - Petaluma	335.0	0.1423	2.55	212,109	188,856	60,077	32	112,824	60	96	85
Stockton	379.2	0.1610	2.74	201,848	179,535	67,555	38	99,353	55	92	76
Vallejo - Fairfield - Napa	372.8	0.1583	2.79	202,246	182,703	62,986	34	111,380	61	99	93
Visalia - Tulare - Porterville	272.9	0.1159	3.03	91,967	82,235	28,247	34	50,868	62	60	80
Yuba City	109.6	0.0467	2.73	49,525	42,240	14,516	34	26,128	62	86	79
Non-Metro Portion of State	1,241.9	0.5273	2.74	628,321	562,743	193,339	34	348,216	62	88	71
State Total	**25,332.3**	**10.7557**	**2.70**	**16,866,588**	**15,540,772**	**5,307,457**	**34**	**9,022,036**	**58**	**119**	**98**
COLORADO											
Boulder - Longmont	212.5	0.0902	2.64	133,466	124,206	51,913	42	65,800	53	118	98
Colorado Springs	337.7	0.1434	2.77	166,365	153,107	71,897	47	74,519	49	105	102
Denver	1,580.1	0.6708	2.55	1,076,925	962,404	296,308	31	572,931	60	113	117
Fort Collins - Loveland	171.8	0.0729	2.71	88,627	83,591	27,334	33	49,843	60	112	90
Greeley	137.2	0.0582	2.82	49,611	42,878	14,022	33	25,564	60	87	92
Pueblo	126.7	0.0538	2.68	65,270	54,384	17,783	33	32,427	60	93	82
Non-Metro Portion of State	617.5	0.2623	2.71	385,152	342,735	91,109	27	235,100	69	110	78
State Total	**3,183.5**	**1.3516**	**2.63**	**1,965,416**	**1,763,305**	**570,366**	**32**	**1,056,184**	**60**	**110**	**100**
CONNECTICUT											
Bridgeport - Stamford - Norwalk - Danbury	811.4	0.3445	2.83	528,348	476,972	118,724	25	325,945	68	107	95
Hartford - New Britain - Middletown - Bristol	1,054.8	0.4478	2.76	696,923	629,290	214,793	34	353,600	56	117	100
New Haven - Waterbury - Meriden	765.7	0.3252	2.75	475,209	430,965	145,349	34	260,530	60	112	80
New London - Norwich	244.3	0.1037	2.82	153,396	129,356	39,991	31	83,289	64	111	97
Non-Metro Portion of State	256.9	0.1091	2.78	117,759	102,176	31,000	30	64,949	64	82	77
State Total	**3,133.1**	**1.3303**	**2.78**	**1,971,635**	**1,768,759**	**549,857**	**31**	**1,088,313**	**62**	**110**	**92**
DELAWARE											
Wilmington	529.6	0.2248	2.84	235,161	210,046	83,506	40	112,567	54	96	108
Non-Metro Portion of State	208.3	0.0885	2.84	107,354	97,331	34,527	35	55,602	57	93	77
State Total	**608.3**	**0.2583**	**2.83**	**290,894**	**262,806**	**104,814**	**40**	**137,955**	**52**	**96**	**97**
DISTRICT OF COLUMBIA											
Washington	3,363.0	1.4277	2.72	1,998,069	1,891,490	696,017	37	1,040,240	55	117	136
State Total	**618.4**	**0.2625**	**2.49**	**560,855**	**505,124**	**144,907**	**29**	**321,726**	**64**	**240**	**159**
FLORIDA											
Bradenton	169.6	0.0720	2.41	108,920	99,246	35,961	36	55,302	56	145	85
Daytona Beach	291.4	0.1238	2.42	185,655	167,263	58,222	35	94,416	56	143	100
Fort Lauderdale - Hollywood - Pompano Beach	1,121.0	0.4760	2.42	848,325	780,764	224,438	29	506,943	65	170	106

continued on page 188

	12/31/83			1983								
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
FLORIDA *continued*											
Fort Myers - Cape Coral	244.1	0.1036	2.44	142,208	132,454	47,996	36	73,807	56	111	94
Fort Pierce	181.8	0.0772	2.55	82,123	74,598	29,912	40	41,892	56	96	93
Fort Walton Beach	117.2	0.0498	2.83	78,097	73,991	29,719	40	41,537	56	169	92
Gainesville	188.0	0.0799	2.75	107,859	101,519	37,049	36	56,533	56	132	98
Jacksonville	759.9	0.3226	2.71	369,415	344,404	173,311	50	146,165	42	118	107
Lakeland - Winter Haven	351.1	0.1491	2.77	154,959	145,081	65,743	45	65,985	45	105	90
Melbourne - Titusville - Palm Bay	300.7	0.1276	2.52	167,650	151,109	60,474	40	79,916	53	126	95
Miami - Hialeah	1,764.5	0.7491	2.73	961,564	888,379	270,708	30	520,315	59	121	139
Naples	106.1	0.0450	2.46	77,361	69,847	28,000	40	39,299	56	120	86
Ocala	145.3	0.0617	2.64	71,596	66,413	26,634	40	37,290	56	113	80
Orlando	804.5	0.3415	2.74	533,310	502,149	214,175	43	248,394	49	142	165
Panama City	104.9	0.0445	2.72	86,424	78,315	28,379	36	43,637	56	223	107
Pensacola	306.5	0.1301	2.82	152,906	130,973	66,373	51	52,047	40	112	114
Sarasota	233.5	0.0992	2.25	175,539	164,282	44,955	27	104,684	64	135	92
Tallahassee	204.6	0.0869	2.79	102,437	95,813	34,910	36	53,350	56	113	116
Tampa - St. Petersburg - Clearwater	1,787.8	0.7592	2.44	991,078	899,547	341,891	38	471,109	52	105	112
West Palm Beach - Boca Raton - Delray Beach	664.5	0.2821	2.41	431,378	384,029	103,919	27	256,565	67	132	122
Non-Metro Portion of State	968.5	0.4112	2.64	300,342	266,518	107,021	40	149,843	56	72	81
State Total	**10,815.5**	**4.5921**	**2.57**	**6,129,146**	**5,616,694**	**2,029,790**	**36**	**3,139,029**	**56**	**122**	**113**
GEORGIA											
Albany	117.1	0.0497	3.03	41,102	39,332	19,746	50	16,463	42	108	111
Athens	137.2	0.0583	2.78	59,838	56,736	31,813	56	21,806	38	120	90
Atlanta	2,320.0	0.9850	2.76	1,305,549	1,227,790	599,212	49	510,966	42	127	118
Augusta	365.5	0.1551	2.89	157,687	143,962	67,665	47	67,751	47	103	102
Columbus	237.0	0.1006	3.00	95,558	87,318	44,909	51	35,425	41	110	79
Macon - Warner Robins	273.0	0.1160	2.87	123,786	115,866	58,576	51	48,085	42	108	99
Savannah	226.7	0.0962	2.83	126,969	113,343	57,164	50	47,135	42	128	106
Non-Metro Portion of State	2,148.6	0.9122	2.96	556,818	528,889	297,015	56	203,013	38	65	92
State Total	**5,777.4**	**2.4530**	**2.87**	**2,445,967**	**2,293,148**	**1,165,767**	**51**	**942,991**	**41**	**101**	**105**
HAWAII											
Honolulu	805.8	0.3421	3.19	796,043	718,825	246,460	34	414,385	58	228	168
Non-Metro Portion of State	227.6	0.0967	3.10	179,286	172,119	43,479	25	120,385	70	132	201
State Total	**1,033.4**	**0.4388**	**3.17**	**975,329**	**890,944**	**289,939**	**33**	**534,770**	**60**	**200**	**176**
IDAHO											
Boise	190.6	0.0809	2.67	142.064	131.283	48,145	37	71,409	54	118	99
Non-Metro Portion of State	812.9	0.3452	2.94	288,021	242,616	90,085	37	134,768	56	66	81
State Total	**1,003.5**	**0.4261**	**2.88**	**430,085**	**373,899**	**138,230**	**37**	**206,177**	**55**	**78**	**85**
ILLINOIS											
Alton - Granite City	267.3	0.1135	2.68	124,773	100,100	55,187	55	41,006	41	77	81
Aurora - Elgin	329.6	0.1400	2.86	169,957	151,282	56,460	37	87,004	58	108	188
Bloomington - Normal	123.9	0.0526	2.74	67,708	60,433	23,546	39	32,294	53	114	89
Champaign - Urbana - Rantoul	168.8	0.0716	2.77	123,827	111,315	43,372	39	59,484	53	144	96
Chicago	6,028.5	2.5597	2.73	3,473,746	3,168,004	1,134,126	36	1,763,891	56	127	111
Davenport - Rock Island - Moline	388.7	0.1650	2.66	220,709	186,083	79,788	43	91,058	49	118	63
Decatur	132.0	0.0560	2.60	61,713	50,978	19,863	39	27,242	53	90	103
East St. Louis - Belleville	296.5	0.1259	2.81	130,766	105,837	52,345	49	49,892	47	99	89
Joliet	381.5	0.1619	3.04	118,449	102,255	38,783	38	58,098	57	86	98

continued on page 190

RGI Metro Report

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
ILLINOIS *continued*											
Kankakee	104.5	0.0443	2.80	54,262	48,257	18,802	39	25,788	53	114	72
Lake County	467.1	0.1984	3.03	247,479	216,415	87,130	40	112,144	52	111	95
Peoria	370.9	0.1576	2.69	192,002	165,633	75,268	45	80,617	49	103	102
Rockford	281.2	0.1194	2.69	135,744	121,209	41,598	34	72,442	60	107	100
Springfield	193.6	0.0821	2.48	106,147	92,018	35,860	39	49,185	53	90	107
Non-Metro Portion of State	2,121.8	0.9008	2.62	799,729	663,900	298,780	45	327,592	49	79	69
State Total	**11,511.2**	**4.8874**	**2.72**	**5,934,115**	**5,261,510**	**2,025,313**	**38**	**2,839,609**	**54**	**111**	**100**
INDIANA											
Anderson	137.3	0.0583	2.75	58,782	52,040	25,334	49	22,586	43	93	72
Bloomington	101.3	0.0430	2.85	49,616	45,918	22,352	49	19,928	43	128	76
Elkhart - Goshen	139.7	0.0593	2.82	87,658	78,096	35,833	46	36,154	46	108	80
Evansville	282.7	0.1201	2.67	155,690	134,997	67,595	50	55,266	41	107	105
Fort Wayne	355.2	0.1508	2.81	234,440	212,706	82,655	39	118,169	56	146	93
Gary - Hammond	636.4	0.2701	2.97	341,615	306,901	144,540	47	144,159	47	100	89
Indianapolis	1,180.4	0.5013	2.75	617,151	576,909	298,739	52	218,541	38	110	106
Kokomo	102.8	0.0437	2.74	52,988	47,733	23,236	49	20,719	43	101	73
Lafayette	123.2	0.0523	2.93	68,229	63,206	30,767	49	27,436	43	129	105
Muncie	125.1	0.0531	2.85	68,065	61,526	29,947	49	26,705	43	126	78
South Bend - Mishawaka	236.7	0.1005	2.75	136,129	121,857	50,783	42	61,038	50	116	79
Terre Haute	135.3	0.0574	2.76	65,822	57,511	27,994	49	24,964	43	101	89
Non-Metro Portion of State	1,791.8	0.7607	2.84	594,235	521,716	239,029	46	242,768	47	77	72
State Total	**5,526.3**	**2.3464**	**2.82**	**2,603,695**	**2,345,041**	**1,112,725**	**47**	**1,044,254**	**45**	**101**	**87**
IOWA											
Cedar Rapids	170.6	0.0724	2.60	90,429	76,720	31,767	41	37,778	49	99	108
Davenport - Rock Island - Moline	388.7	0.1650	2.66	220,709	186,083	79,788	43	91,058	49	118	63
Des Moines	377.0	0.1601	2.55	216,207	189,095	80,009	42	82,460	44	89	107
Dubuque	93.7	0.0397	2.96	49,413	41,111	17,021	41	20,245	49	96	81
Iowa City	85.1	0.0361	2.59	53,488	45,630	19,156	42	23,980	53	108	149
Sioux City	117.8	0.0500	2.67	56,342	46,463	19,211	41	22,996	49	76	95
Waterloo - Cedar Falls	163.9	0.0696	2.75	73,016	59,830	24,761	41	29,580	49	81	85
Non-Metro Portion of State	1,692.1	0.7186	2.65	613,206	505,406	212,287	42	265,728	53	73	64
State Total	**2,934.0**	**1.2458**	**2.65**	**1,290,954**	**1,082,037**	**455,178**	**42**	**539,733**	**50**	**83**	**77**
KANSAS											
Kansas City	1,452.0	0.6161	2.64	799,357	755,268	351,695	47	335,447	44	109	111
Lawrence	70.9	0.0301	2.78	28,650	25,735	12,661	49	11,052	43	109	80
Topeka	156.0	0.0662	2.53	80,546	75,578	37,183	49	32,450	43	94	98
Wichita	424.7	0.1803	2.59	238,275	225,991	113,641	50	90,216	40	134	78
Non-Metro Portion of State	1,240.3	0.5267	2.62	409,655	376,160	172,297	46	182,661	49	77	60
State Total	**2,430.2**	**1.0318**	**2.63**	**1,032,708**	**969,783**	**471,592**	**49**	**421,974**	**44**	**98**	**75**
KENTUCKY											
Clarksville - Hopkinsville	157.0	0.0666	3.11	68,923	65,055	32,637	50	27,261	42	124	93
Huntington - Ashland	339.5	0.1442	2.74	109,323	101,025	61,369	61	32,434	32	66	92
Lexington-Fayette	328.8	0.1395	2.66	200,387	191,626	107,898	56	64,861	34	104	115
Louisville	964.7	0.4096	2.71	561,271	515,683	281,695	55	182,803	35	101	104
Owensboro	87.3	0.0370	2.70	44,892	40,805	22,689	56	14,844	36	92	86
Non-Metro Portion of State	2,054.6	0.8725	2.83	503,720	486,337	277,191	57	183,416	38	52	93
State Total	**3,753.2**	**1.5935**	**2.78**	**1,432,651**	**1,347,574**	**743,023**	**55**	**495,628**	**37**	**73**	**99**

continued on page 192

RGI Metro Report

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
LOUISIANA											
Alexandria	142.2	0.0603	2.88	50,056	47,324	23,094	49	20,636	44	83	87
Baton Rouge	543.5	0.2308	2.89	244,852	222,946	120,164	54	94,160	42	88	129
Houma - Thibodaux	191.6	0.0813	3.06	110,705	99,600	49,133	49	37,850	38	107	123
Lafayette	213.8	0.0908	2.87	115,999	104,821	51,238	49	45,095	43	109	112
Lake Charles	177.0	0.0751	2.85	86,940	80,392	39,241	49	35,048	44	72	107
Monroe	146.7	0.0622	2.84	64,224	59,619	29,099	49	25,993	44	102	91
New Orleans	1,330.5	0.5649	2.73	844,253	755,135	331,487	44	372,887	49	111	143
Shreveport	349.7	0.1485	2.72	184,627	172,672	88,845	51	70,923	41	128	111
Non-Metro Portion of State	1,376.7	0.5847	2.98	312,297	271,560	134,664	50	103,014	38	51	101
State Total	**4,471.7**	**1.8986**	**2.86**	**2,013,953**	**1,814,069**	**866,965**	**48**	**805,606**	**44**	**90**	**120**
MAINE											
Bangor	137.9	0.0586	2.91	60,865	57,682	19,724	34	33,658	58	72	106
Lewiston - Auburn	100.3	0.0426	2.74	52,859	50,110	17,131	34	29,238	58	92	82
Portland	221.0	0.0939	2.64	143,941	139,198	47,599	34	81,223	58	107	87
Non-Metro Portion of State	695.0	0.2950	2.76	297,842	285,822	97,765	34	166,842	58	88	79
State Total	**1,154.2**	**0.4901**	**2.75**	**555,507**	**532,812**	**182,219**	**34**	**310,961**	**58**	**91**	**84**
MARYLAND											
Baltimore	2,248.6	0.9548	2.81	1,078,546	909,627	395,753	44	431,876	47	91	106
Cumberland	105.9	0.0450	2.72	34,110	30,781	12,498	41	16,792	55	75	68
Hagerstown	114.6	0.0487	2.80	44,670	37,212	14,592	39	20,836	56	84	101
Non-Metro Portion of State	312.1	0.1325	2.81	152,265	137,056	53,761	39	76,709	56	91	88
State Total	**4,327.7**	**1.8375**	**2.83**	**2,089,515**	**1,852,105**	**787,218**	**43**	**922,558**	**50**	**90**	**106**
MASSACHUSETTS											
Boston - Lawrence - Salem - Lowell - Brockton	3,652.8	1.5509	2.73	2,576,540	2,332,903	627,734	27	1,529,236	66	122	110
New Bedford - Fall River - Attleboro	485.9	0.2063	2.78	247,183	219,445	80,061	36	127,272	58	91	81
Pittsfield	142.5	0.0605	2.65	84,363	70,074	23,065	33	43,605	62	69	77
Springfield	581.3	0.2468	2.79	304,673	260,802	76,244	29	160,547	62	71	86
Worcester - Fitchburg - Leominster	650.9	0.2764	2.78	298,707	266,251	78,737	30	163,658	61	84	89
Non-Metro Portion of State	251.5	0.1068	2.49	290,360	271,669	54,576	20	205,076	75	165	76
State Total	**5,764.9**	**2.4477**	**2.74**	**3,801,826**	**3,421,144**	**940,417**	**27**	**2,229,394**	**65**	**110**	**100**
MICHIGAN											
Ann Arbor	268.7	0.1141	2.81	141,221	131,220	50,559	39	70,735	54	165	123
Battle Creek	135.9	0.0577	2.72	70,041	63,207	24,356	39	34,074	54	169	79
Benton Harbor	165.7	0.0704	2.77	70,778	61,279	22,057	36	36,791	60	86	75
Detroit	4,346.9	1.8457	2.80	1,983,507	1,767,290	674,057	38	933,755	53	87	99
Flint	437.8	0.1859	2.82	202,882	175,976	71,480	41	88,923	51	91	107
Grand Rapids	610.4	0.2592	2.84	275,417	247,197	76,636	31	155,383	63	158	109
Jackson	150.0	0.0637	2.92	48,405	42,512	16,380	39	22,917	54	116	88
Kalamazoo	212.4	0.0902	2.77	112,587	105,125	42,075	40	57,426	55	150	108
Lansing - East Lansing	421.1	0.1790	2.89	202,036	177,047	79,327	45	85,423	48	119	116
Muskegon	153.5	0.0652	2.83	57,755	51,167	19,716	39	27,581	54	126	86
Saginaw - Bay City - Midland	414.7	0.1760	2.91	214,345	182,213	69,678	38	99,353	55	100	107
Non-Metro Portion of State	1,812.2	0.7690	2.86	618,798	488,628	178,676	37	289,404	59	71	71
State Total	**9,129.3**	**3.8761**	**2.83**	**3,997,772**	**3,492,861**	**1,324,997**	**38**	**1,901,765**	**54**	**93**	**95**
MINNESOTA											
Duluth	264.2	0.1122	2.68	111,662	88,198	29,193	33	53,647	61	80	84

continued on page 194

RGI Metro Report

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
MINNESOTA *continued*											
Fargo - Moorhead	145.3	0.0617	2.74	101,934	84,523	31,737	38	46,635	55	137	111
Minneapolis - St. Paul	2,200.2	0.9343	2.72	1,306,537	1,154,714	383,576	33	677,195	59	107	133
Rochester	94.2	0.0400	2.75	58,559	53,287	16,931	32	32,372	61	117	173
St. Cloud	173.2	0.0735	3.24	59,513	48,347	15,364	32	29,372	61	104	96
Non-Metro Portion of State	1,476.6	0.6270	2.82	534,742	441,027	122,853	28	289,799	66	79	64
State Total	**4,168.4**	**1.7699**	**2.77**	**2,061,060**	**1,783,267**	**566,377**	**32**	**1,081,280**	**61**	**97**	**104**
MISSISSIPPI											
Biloxi - Gulfport	192.6	0.0818	2.90	88,735	81,092	44,846	55	30,139	37	89	103
Jackson	385.5	0.1636	2.90	150,256	145,344	75,693	52	48,122	33	88	115
Pascagoula	127.7	0.0542	3.00	34,539	31,825	17,603	55	11,828	37	58	100
Non-Metro Portion of State	1,840.0	0.7812	2.97	391,650	375,545	208,402	55	147,427	39	49	92
State Total	**2,605.1**	**1.1060**	**2.96**	**671,800**	**640,426**	**350,043**	**55**	**240,161**	**38**	**58**	**98**
MISSOURI											
Columbia	105.8	0.0449	2.78	61,402	58,934	26,303	45	28,009	48	119	107
Joplin	131.1	0.0557	2.63	60,452	56,639	25,276	45	28,978	51	90	59
Kansas City	1,452.0	0.6161	2.64	799,357	755,268	351,695	47	335,447	44	109	111
St. Joseph	86.7	0.0368	2.67	45,633	40,570	18,105	45	19,280	48	90	83
St. Louis	1,812.0	0.7694	2.74	926,722	849,804	382,013	45	386,476	45	86	107
Springfield	219.1	0.0930	2.64	113,921	107,720	52,869	49	45,364	42	108	89
Non-Metro Portion of State	1,742.6	0.7403	2.75	489,525	443,594	198,258	45	227,781	51	63	62
State Total	**4,990.3**	**2.1189**	**2.71**	**2,214,287**	**2,042,556**	**916,900**	**45**	**964,016**	**47**	**85**	**90**
MONTANA											
Billings	117.5	0.0499	2.59	90,641	74,310	25,311	34	42,672	57	92	96
Great Falls	80.5	0.0342	2.61	53,195	38,852	13,237	34	22,316	57	93	83
Non-Metro Portion of State	624.6	0.2651	2.69	373,620	264,433	89,850	34	155,010	59	86	79
State Total	**822.6**	**0.3492**	**2.66**	**517,456**	**377,595**	**128,398**	**34**	**219,998**	**58**	**88**	**82**
NEBRASKA											
Lincoln	201.8	0.0857	2.62	117,098	104,340	42,788	41	53,177	51	115	107
Omaha	597.2	0.2537	2.72	349,085	293,560	118,750	40	147,364	50	107	100
Non-Metro Portion of State	872.8	0.3705	2.70	353,967	280,375	110,938	40	152,824	55	79	60
State Total	**1,603.4**	**0.6808**	**2.70**	**781,336**	**646,376**	**258,914**	**40**	**336,251**	**52**	**94**	**79**
NEVADA											
Las Vegas	529.3	0.2247	2.55	316,862	260,522	90,530	35	149,875	58	101	684
Reno	213.4	0.0906	2.41	156,524	139,960	48,902	35	80,788	58	118	401
Non-Metro Portion of State	161.9	0.0688	2.60	77,019	62,601	21,978	35	36,297	58	99	537
State Total	**904.6**	**0.3841**	**2.52**	**550,405**	**463,083**	**161,410**	**35**	**266,960**	**58**	**106**	**586**
NEW HAMPSHIRE											
Manchester - Nashua	288.6	0.1225	2.81	169,246	161,821	45,909	28	102,677	63	102	107
Portsmouth - Dover - Rochester	295.1	0.1253	2.84	184,386	179,674	50,012	28	116,823	65	92	91
Non-Metro Portion of State	380.8	0.1617	2.73	195,180	190,144	52,925	28	123,627	65	81	85
State Total	**964.5**	**0.4095**	**2.79**	**548,812**	**531,639**	**148,846**	**28**	**343,127**	**65**	**90**	**93**
NEW JERSEY											
Atlantic City	295.5	0.1254	2.60	299,375	244,266	66,934	27	169,187	69	124	224

continued on page 196

RGI Metro Report

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
NEW JERSEY *continued*											
Bergen - Passaic	1,277.4	0.5424	2.76	771,352	666,099	206,697	31	405,483	61	88	102
Jersey City	548.4	0.2329	2.65	174,347	122,610	40,903	33	70,840	58	51	109
Middlesex - Somerset - Hunterdon	905.5	0.3844	2.91	428,626	339,562	118,012	35	196,716	58	71	110
Monmouth - Ocean	910.5	0.3866	2.72	474,619	391,195	117,117	30	255,326	65	77	86
Newark	1,868.8	0.7934	2.83	865,405	703,689	209,360	30	421,068	60	73	120
Trenton	310.8	0.1320	2.85	153,021	117,895	37,187	32	70,429	60	65	118
Vineland - Millville - Bridgeton	137.0	0.0581	2.94	53,858	42,027	13,247	32	25,637	61	49	101
State Total	**7,484.6**	**3.1778**	**2.81**	**3,764,725**	**3,079,218**	**961,646**	**31**	**1,887,439**	**61**	**78**	**116**
NEW MEXICO											
Albuquerque	455.8	0.1936	2.67	281,085	257,921	107,646	42	121,955	47	127	97
Las Cruces	106.4	0.0451	2.98	47,589	40,688	16.901	42	21,083	52	105	90
Santa Fe	100.8	0.0427	2.69	79,081	75,801	31,612	42	39,146	52	149	95
Non-Metro Portion of State	753.7	0.3201	2.98	295,194	256,971	106,784	42	134,408	52	74	81
State Total	**1,416.7**	**0.6015**	**2.85**	**702,949**	**631,381**	**262,943**	**42**	**316,592**	**50**	**98**	**88**
NEW YORK											
Albany - Schenectady - Troy	861.9	0.3660	2.72	405,865	349,197	104,428	30	220,031	63	77	92
Binghamton	266.6	0.1131	2.76	121,134	101,290	33,037	33	63,090	62	74	108
Buffalo	993.5	0.4218	2.73	526,924	436,660	144,124	33	267,148	61	79	79
Elmira	98.2	0.0417	2.81	31,383	26,048	7,630	29	16,464	63	55	101
Glens Falls	114.5	0.0487	2.91	63,479	56,790	17,300	30	36,493	64	80	67
Nassau - Suffolk	2,665.9	1.1319	3.13	1,191,553	1,098,412	339,163	31	664,989	61	81	85
New York	8,241.8	3.4994	2.55	3,895,471	3,545,953	958,389	27	2,309,878	65	107	104
Niagara Falls	228.2	0.0969	2.76	105,109	87,350	29,879	34	49,732	57	83	75
Orange County	277.7	0.1179	3.07	101,611	89,442	25,675	29	58,986	66	56	78
Poughkeepsie	259.0	0.1100	2.97	100,364	88,595	25,955	29	55,994	63	61	98
Rochester	995.9	0.4227	2.76	459,296	402,056	123,854	31	251,298	63	81	103
Syracuse	658.4	0.2796	2.83	327,529	281,610	84,858	30	172,604	61	74	97
Utica - Rome	320.3	0.1359	2.83	149,461	123,927	47,186	38	67,529	54	73	74
Non-Metro Portion of State	1,758.8	0.7469	2.88	654,659	539,501	164,356	30	346,671	64	69	89
State Total	**17,740.7**	**7.5325**	**2.72**	**8,133,838**	**7,226,831**	**2,105,834**	**29**	**4,580,907**	**63**	**88**	**96**
NORTH CAROLINA											
Asheville	165.6	0.0703	2.58	90,231	85,418	43,884	51	34,835	41	117	88
Burlington	98.5	0.0418	2.66	47,989	46,932	24,108	51	19,141	41	104	100
Charlotte - Gastonia - Rock Hill	1,013.3	0.4303	2.75	462,882	447,415	230,306	51	181,926	41	100	103
Fayetteville	260.5	0.1106	3.20	102,966	94,423	48,516	51	38,510	41	115	88
Greensboro - Winston-Salem - High Point	880.3	0.3737	2.67	444,093	432,066	205,486	48	166,421	39	113	96
Hickory	211.8	0.0898	2.76	86,292	84,760	46,018	54	34,607	41	103	90
Jacksonville	120.0	0.0509	3.61	50,631	44,664	24,218	54	18,386	41	185	79
Raleigh - Durham	600.3	0.2549	2.70	340,354	331,506	155,037	47	142,116	43	130	105
Wilmington	109.7	0.0466	2.66	74,248	71,352	36,659	51	29,100	41	127	88
Non-Metro Portion of State	2,774.4	1.1782	2.82	858,174	836,196	453,333	54	344,621	41	78	85
State Total	**6,120.3**	**2.5986**	**2.78**	**2,505,693**	**2,425,138**	**1,242,573**	**51**	**988,169**	**41**	**98**	**92**
NORTH DAKOTA											
Bismarck	89.2	0.0379	2.81	50,877	43,604	16,100	37	23,544	54	113	120
Fargo - Moorhead	145.3	0.0617	2.74	101,934	84,523	31,737	38	46,635	55	137	111
Grand Forks	69.1	0.0293	2.94	37,542	31,144	12,284	39	16,456	53	154	113
Non-Metro Portion of State	433.1	0.1838	2.83	163,097	117,792	43,970	37	64,324	55	83	71
State Total	**687.0**	**0.2916**	**2.81**	**326,131**	**255,717**	**97,309**	**38**	**137,992**	**54**	**107**	**87**

continued on page 200

RGI Metro Report

	12/31/83			1983							
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
OHIO											
Akron	650.5	0.2762	2.68	352,876	315,280	133,286	42	167,311	53	92	98
Canton	405.8	0.1723	2.76	213,560	188,439	78,302	42	98,065	52	90	83
Cincinnati	1,395.0	0.5923	2.69	827,592	746,353	329,523	44	347,988	47	113	103
Cleveland	1,843.3	0.7827	2.62	1,047,055	922,439	346,396	38	497,545	54	104	100
Columbus	1,263.4	0.5365	2.63	770,115	695,387	321,618	46	325,784	47	130	99
Dayton - Springfield	925.6	0.3929	2.63	498,766	452,766	211,522	47	207,317	46	110	90
Hamilton - Middletown	268.4	0.1140	2.83	107,643	91,732	56,740	62	30,414	33	74	93
Lima	156.6	0.0665	2.78	75,650	70,287	30,554	43	34,353	49	111	77
Lorain - Elyria	276.6	0.1174	2.87	93,400	75,427	34,766	46	35,117	47	65	96
Mansfield	129.6	0.0550	2.69	64,490	56,542	24,576	43	27,637	49	110	80
Parkersburg - Marietta	159.7	0.0678	2.73	67,367	61,843	29,705	48	27,212	44	72	87
Steubenville - Weirton	157.9	0.0670	2.72	55,328	45,357	21,358	47	20,421	45	65	88
Toledo	617.1	0.2620	2.69	409,248	365,306	146,564	40	185,781	51	119	94
Youngstown - Warren	521.0	0.2212	2.71	243,539	208,816	94,802	45	99,853	48	89	81
Non-Metro Portion of State	2,317.5	0.9840	2.79	821,144	705,986	307,378	44	346,656	49	78	76
State Total	**10,767.4**	**4.5717**	**2.69**	**5,491,125**	**4,857,371**	**2,098,424**	**43**	**2,387,524**	**49**	**101**	**91**
OKLAHOMA											
Enid	67.8	0.0288	2.61	49,779	48,192	24,178	50	20,648	43	150	74
Lawton	116.9	0.0496	3.25	48,001	44,894	22,850	51	18,447	41	108	82
Oklahoma City	954.6	0.4054	2.65	635,398	605,655	318,310	53	234,388	39	143	83
Tulsa	733.6	0.3115	2.64	376,160	361,941	179,798	50	147,858	41	110	98
Non-Metro Portion of State	1,437.6	0.6103	2.69	502,601	481,794	241,510	50	210,578	44	78	69
State Total	**3,345.6**	**1.4205**	**2.69**	**1,621,403**	**1,551,531**	**791,257**	**51**	**635,638**	**41**	**107**	**80**
OREGON											
Eugene - Springfield	270.5	0.1149	2.54	137,603	123,500	52,301	42	58,781	48	94	82
Medford	138.1	0.0587	2.64	65,463	57,745	20,435	35	34,576	60	83	72
Portland	1,125.6	0.4779	2.53	732,845	646,872	227,100	35	357,358	55	148	102
Salem	254.4	0.1081	2.69	123,345	110,522	39,805	36	61,683	56	136	61
Non-Metro Portion of State	887.1	0.3765	2.66	443,353	390,914	138,565	35	234,381	60	93	63
State Total	**2,675.7**	**1.1361**	**2.59**	**1,502,609**	**1,329,553**	**478,206**	**36**	**746,779**	**56**	**117**	**80**
PENNSYLVANIA											
Allentown - Bethlehem	651.1	0.2764	2.68	305,408	270,794	107,340	40	138,707	51	89	92
Altoona	136.9	0.0582	2.71	57,093	50,155	18,460	37	27,935	56	78	79
Beaver County	203.0	0.0861	2.77	60,002	46,735	18,163	39	25,626	55	59	118
Erie	285.2	0.1211	2.80	116,575	97,215	41,989	43	50,479	52	103	97
Harrisburg - Lebanon - Carlisle	572.8	0.2432	2.66	290,934	252,950	105,275	42	132,748	52	85	111
Johnstown	264.7	0.1123	2.79	76,846	61,543	30,653	50	27,423	45	64	101
Lancaster	376.7	0.1599	2.83	161,163	145,483	52,707	36	87,824	60	87	113
Philadelphia	4,725.1	2.0062	2.79	2,196,323	1,870,577	651,354	35	1,065,510	57	94	113
Pittsburgh	2,176.3	0.9239	2.62	1,009,511	846,442	281,561	33	496,371	59	95	104
Reading	319.8	0.1357	2.64	142,868	127,111	46,040	36	75,747	60	98	93
Scranton - Wilkes-Barre	738.1	0.3133	2.68	286,917	248,487	87,766	35	138,584	56	79	88
Sharon	128.4	0.0545	2.78	45,931	38,795	14,702	38	21,920	57	75	80
State College	116.0	0.0493	3.01	53,319	50,867	19,287	38	28,755	57	84	81
Williamsport	120.5	0.0512	2.74	36,864	29,586	10,892	37	16,477	56	55	83
York	397.9	0.1690	2.73	151,027	132,897	57,214	43	67,492	51	81	103
Non-Metro Portion of State	1,868.0	0.7935	2.78	528,459	440,725	166,750	38	249,519	57	68	77
State Total	**11,916.6**	**5.0596**	**2.72**	**4,997,064**	**4,276,817**	**1,563,541**	**37**	**2,390,617**	**56**	**88**	**100**
RHODE ISLAND											
Providence - Pawtucket - Woonsocket	872.3	0.3704	2.72	481,169	428,073	132,664	31	263,110	61	108	86

continued on page 202

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
RHODE ISLAND *continued*											
Non-Metro Portion of State	82.0	0.0348	2.76	74,578	61,894	17,343	28	40,567	66	190	69
State Total	**954.3**	**0.4052**	**2.72**	**555,747**	**489,967**	**150,007**	**31**	**303,677**	**62**	**114**	**84**
SOUTH CAROLINA											
Anderson	142.9	0.0606	2.75	41,433	39,708	20,004	50	17,215	43	68	83
Charleston	473.7	0.2011	3.02	172,988	163,976	87,488	53	58,005	35	108	118
Charlotte - Gastonia - Rock Hill	1,013.3	0.4303	2.75	462,882	447,415	230,306	51	181,926	41	100	103
Columbia	434.9	0.1846	2.90	193,970	184,514	97,078	53	69,072	37	122	102
Florence	116.2	0.0494	2.95	34,993	34,348	17,295	50	14,884	43	82	115
Greenville - Spartanburg	599.3	0.2543	2.76	280,677	270,254	147,639	55	102,490	38	116	91
Non-Metro Portion of State	1,315.4	0.5587	2.95	369,222	353,705	178,288	50	153,341	43	78	110
State Total	**3,306.8**	**1.4040**	**2.90**	**1,173,388**	**1,122,698**	**585,958**	**52**	**448,260**	**40**	**95**	**105**
SOUTH DAKOTA											
Sioux Falls	115.5	0.0491	2.58	75,854	66,105	23,484	36	37,790	57	124	110
Non-Metro Portion of State	590.3	0.2505	2.75	248,881	198,275	62,753	32	119,911	60	83	69
State Total	**705.8**	**0.2996**	**2.72**	**324,735**	**264,380**	**86,237**	**33**	**157,701**	**60**	**91**	**76**
TENNESSEE											
Chattanooga	433.0	0.1840	2.76	185,201	178,397	85,699	48	82,302	46	95	107
Clarksville - Hopkinsville	157.0	0.0666	3.11	68,923	65,055	32,637	50	27,261	42	124	93
Johnson City - Kingsport - Bristol	444.3	0.1888	2.75	181,089	176,343	103,451	59	54,486	31	89	58
Knoxville	583.7	0.2479	2.68	322,322	310,360	162,539	52	124,716	40	126	112
Memphis	920.4	0.3909	2.88	428,428	409,275	193,780	47	172,993	42	94	106
Nashville	889.4	0.3777	2.77	557,332	538,747	222,724	41	269,042	50	125	117
Non-Metro Portion of State	1,669.7	0.7087	2.82	462,016	440,187	213,585	49	203,823	46	67	90
State Total	**4,719.8**	**2.0040**	**2.79**	**2,122,294**	**2,038,781**	**969,899**	**48**	**905,053**	**44**	**99**	**101**
TEXAS											
Abilene	120.0	0.0509	2.83	57,330	54,314	24,886	46	24,985	46	95	69
Amarillo	191.4	0.0813	2.64	158,844	139,805	64,053	46	64,312	46	125	82
Austin	623.7	0.2647	2.65	414,850	362,961	159,467	44	175,580	48	120	96
Beaumont - Port Arthur	397.9	0.1690	2.82	219,179	199,545	96,105	48	86,775	43	93	102
Brazoria	200.8	0.0853	3.10	69,261	61,856	33,829	55	24,729	40	60	128
Brownsville - Harlingen	238.8	0.1014	3.53	82,324	73,580	33,712	46	33,850	46	79	102
Bryan - College Station	110.3	0.0468	2.77	62,692	57,666	26,422	46	26,526	46	178	85
Corpus Christi	351.4	0.1492	3.07	162,698	138,199	58,114	42	69,901	51	79	94
Dallas	2,182.0	0.9265	2.69	1,529,084	1,417,817	602,858	43	667,168	47	134	122
El Paso	533.1	0.2263	3.38	226,712	180,632	73,153	40	92,167	51	98	107
Fort Worth - Arlington	1,085.8	0.4610	2.74	804,097	735,976	363,037	49	297,636	40	164	105
Galveston - Texas City	212.6	0.0903	2.79	114,728	101,866	46,672	46	46,861	46	74	103
Houston	3,150.8	1.3376	2.76	1,952,802	1,756,920	797,700	45	825,374	47	107	141
Killeen - Temple	238.5	0.1013	3.15	99,042	92,390	42,332	46	42,503	46	112	85
Laredo	113.6	0.0482	3.80	42,365	37,976	17,401	46	17,468	46	73	107
Longview - Marshall	169.8	0.0720	2.79	79,336	74,473	34,124	46	34,261	46	75	64
Lubbock	228.6	0.0970	2.83	147,506	133,980	61,386	46	61,635	46	117	88
McAllen - Edinburg - Mission	332.6	0.1412	3.69	78,964	66,381	37,369	56	23,202	35	50	92
Midland	97.3	0.0413	2.75	45,264	41,190	18,872	46	18,949	46	75	86
Odessa	130.8	0.0556	2.77	110,419	98,342	45,057	46	45,240	46	122	96
San Angelo	94.4	0.0401	2.75	57,559	49,931	22,876	46	22,970	46	80	76
San Antonio	1,173.6	0.4983	2.99	622,973	547,886	231,571	42	266,292	49	101	100
Sherman - Denison	94.7	0.0403	2.62	32,608	32,015	14,668	46	14,728	46	70	71
Texarkana	118.4	0.0503	2.75	51,466	49,228	24,116	49	21,167	43	71	72

continued on page 204

	12/31/83			1983							
						Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
TEXAS *continued*											
Tyler	145.9	0.0620	2.76	72,250	69,902	32,025	46	32,158	46	81	91
Victoria	77.5	0.0329	2.95	46,886	38,963	18,535	48	18,766	48	101	84
Waco	184.1	0.0782	2.74	102,747	91,337	41,850	46	42,017	46	93	84
Wichita Falls	125.1	0.0531	2.77	73,432	65,776	30,138	46	30,258	46	111	77
Non-Metro Portion of State	3,211.6	1.3637	2.83	898,693	820,226	392,074	48	394,637	48	57	63
State Total	**15,896.8**	**6.7495**	**2.84**	**8,400,488**	**7,577,109**	**3,436,412**	**45**	**3,517,143**	**46**	**100**	**101**
UTAH											
Provo - Orem	252.8	0.1073	3.76	69,956	67,487	30,550	45	31,793	47	80	92
Salt Lake City - Ogden	1,008.1	0.4281	3.13	382,982	363,585	172,187	47	162,023	45	90	90
Non-Metro Portion of State	381.5	0.1620	3.36	143,475	136,940	48,474	35	80,129	59	96	85
State Total	**1,642.4**	**0.6974**	**3.26**	**596,413**	**568,012**	**251,211**	**44**	**273,945**	**48**	**90**	**89**
VERMONT											
Burlington	124.2	0.0527	2.88	95,259	85,551	22,957	27	56,097	66	136	112
Non-Metro Portion of State	404.7	0.1718	2.75	218,261	197,065	52,875	27	129,215	66	92	88
State Total	**528.9**	**0.2245**	**2.78**	**313,520**	**282,616**	**75,832**	**27**	**185,312**	**66**	**102**	**94**
VIRGINIA											
Charlottesville	120.6	0.0512	2.82	49,713	49,453	24,592	50	21,571	44	93	87
Danville	112.2	0.0477	2.77	30,847	30,203	14,999	50	13,154	44	57	84
Lynchburg	144.5	0.0615	2.90	46,833	46,118	21,520	47	21,108	46	67	94
Norfolk - Virginia Beach - Newport News	1,210.7	0.5139	2.94	620,085	597,367	290,391	49	271,546	45	123	101
Richmond - Petersburg	788.3	0.3346	2.77	377,666	367,848	172,360	47	165,168	45	101	97
Roanoke	223.3	0.0949	2.65	109,172	106,515	49,657	47	48,934	46	97	88
Non-Metro Portion of State	1,658.8	0.7043	2.91	429,493	422,265	209,738	50	184,205	44	60	94
State Total	**5,583.5**	**2.3707**	**2.83**	**2,373,918**	**2,318,106**	**1,045,253**	**45**	**1,093,182**	**47**	**93**	**104**
WASHINGTON											
Bellingham	112.7	0.0478	2.66	84,858	82,756	27,367	33	51,306	62	176	75
Bremerton	165.7	0.0704	2.76	63,533	55,969	18,515	33	34,702	62	76	125
Olympia	138.2	0.0586	2.62	66,256	59,770	19,767	33	37,061	62	92	84
Richland - Kennewick - Pasco	159.1	0.0676	2.75	90,672	79,584	26,504	33	47,071	59	86	120
Seattle	1,675.4	0.7113	2.55	1,298,080	1,182,739	358,065	30	711,165	60	134	105
Spokane	354.2	0.1504	2.60	180,327	160,048	64,377	40	86,527	54	101	103
Tacoma	513.3	0.2179	2.70	232,404	200,780	74,938	37	112,163	56	108	87
Vancouver	207.5	0.0881	2.74	95,353	80,824	31,539	39	44,428	55	110	91
Yakima	179.8	0.0763	2.76	79,171	68,997	22,979	33	40,809	59	88	75
Non-Metro Portion of State	840.8	0.3571	2.64	380,811	320,226	105,596	33	198,722	62	84	73
State Total	**4,346.7**	**1.8455**	**2.62**	**2,571,465**	**2,291,693**	**749,647**	**33**	**1,363,954**	**60**	**112**	**94**
WEST VIRGINIA											
Charleston	267.5	0.1135	2.62	110,674	106,208	54,132	51	43,423	41	73	109
Huntington - Ashland	339.5	0.1442	2.74	109,323	101,025	61,369	61	32,434	32	66	92
Parkersburg - Marietta	159.7	0.0678	2.73	67,367	61,843	29,705	48	27,212	44	72	87
Steubenville - Weirton	157.9	0.0670	2.72	55,328	45,357	21,358	47	20,421	45	65	88
Wheeling	183.3	0.0778	2.64	84,204	72,760	34,640	48	32,375	44	84	85
Non-Metro Portion of State	1,262.6	0.5363	2.82	281,449	263,074	137,434	52	104,914	40	44	96
State Total	**1,973.5**	**0.8380**	**2.76**	**571,045**	**532,738**	**280,932**	**53**	**209,826**	**39**	**55**	**96**

	12/31/83			1983							
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
WISCONSIN											
Appleton - Oshkosh - Neenah	296.0	0.1257	2.80	144,361	114,518	39,851	35	67,426	59	104	95
Eau Claire	135.5	0.0575	2.85	81,631	60,620	19,805	33	36,288	60	139	96
Green Bay	180.6	0.0767	2.77	106,202	85,794	28,027	33	51,355	60	115	98
Janesville - Beloit	139.3	0.0591	2.74	68,628	56,213	16,125	29	36,639	65	87	80
Kenosha	122.3	0.0519	2.75	60,561	45,710	14,932	33	27,363	60	99	89
La Crosse	93.0	0.0394	2.76	80,857	66,417	21,695	33	39,758	60	205	80
Madison	332.6	0.1412	2.57	267,445	226,579	86,775	38	125,368	55	178	125
Milwaukee	1,389.2	0.5897	2.69	870,946	728,256	242.554	33	418,821	58	115	107
Racine	171.2	0.0727	2.81	81,315	66,529	21,735	33	39,824	60	100	91
Sheboygan	101.2	0.0430	2.78	44,142	33,044	9,480	29	21,539	65	77	90
Wausau	114.4	0.0486	2.84	41,059	30,635	8,779	29	19,952	65	72	109
Non-Metro Portion of State	1,601.1	0.6799	2.79	723,824	523,472	150,293	29	341,592	65	98	68
State Total	**4,766.1**	**2.0236**	**2.74**	**2,608,243**	**2,061,439**	**668,373**	**32**	**1,239,997**	**60**	**111**	**90**
WYOMING											
Casper	77.9	0.0330	2.65	63,341	50,540	19,094	38	27,151	54	95	174
Non-Metro Portion of State	439.6	0.1867	2.74	266,279	210,593	79,956	38	113,708	54	104	136
State Total	**517.5**	**0.2197**	**2.72**	**329,620**	**261,133**	**99,050**	**38**	**140,859**	**54**	**103**	**141**
United States Total[1]	**235,524.3**	**100.0000**	**2.75**	**118,727,482**	**106,693,795**	**41,458,287**	**39**	**56,955,356**	**53**	**100**	**100**

Sales by Area of Dominant Influence (ADI)

This 12th installment of the ADI Report shows 211 areas of dominant influence for a TV signal. Each area includes major cities and nearby counties.

	12/31/83			1983							
ADI Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
Abilene - Sweetwater	303.8	0.1289	2.71	108,705	101,079	46,964	46	47,589	47	73	66
Albany, Ga.	380.8	0.1618	3.00	95,744	91,990	49,473	54	36,620	40	67	95
Albany - Schenectady - Troy	1,311.8	0.5570	2.73	624,117	536,607	162,406	30	339,328	63	75	85
Albuquerque	1,144.7	0.4859	2.89	585,552	530,294	213,684	40	272,049	51	104	92
Alexandria, La.	265.2	0.1125	2.99	67,012	58,831	28,739	49	25,066	43	61	100
Alexandria, Minn.	165.7	0.0702	2.86	60,353	49,603	13,864	28	32,695	66	80	63
Alpena	41.9	0.0178	2.74	17,565	13,939	5,022	36	8,339	60	73	62
Amarillo	481.8	0.2045	2.74	260,177	235,988	108,719	46	111,225	47	97	71
Anniston	122.8	0.0521	2.90	44,603	43,089	25,083	58	14,490	34	92	98
Ardmore - Ada	203.0	0.0861	2.68	59,281	56,791	28,478	50	24,531	43	66	72
Atlanta	3,120.8	1.3245	2.79	1,559,557	1,472,369	736,748	50	604,470	41	116	110
Augusta	608.2	0.2584	2.95	180,442	166,403	79,980	48	76,870	46	77	103
Austin, Tex.	749.6	0.3180	2.66	451,419	396,981	175,741	44	191,961	48	112	91
Bakersfield	443.4	0.1883	2.83	260,089	238,976	87,369	37	135,262	57	90	91
Baltimore	2,409.5	1.0231	2.81	1,145,265	970,286	416,861	43	469,087	48	90	104

continued on page 206

	12/31/83			1983							
ADI Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
Bangor	344.6	0.1463	2.80	140,292	135,259	46,256	34	78,945	58	72	82
Baton Rouge	757.0	0.3216	2.98	305,909	275,378	146,117	53	114,126	41	82	129
Beaumont - Port Arthur	474.6	0.2015	2.81	232,655	212,492	102,438	48	92,990	44	84	98
Bend	67.4	0.0286	2.66	35,298	32,186	11,396	35	19,275	60	76	79
Billings - Hardin	233.2	0.0988	2.64	152,650	118,829	41,015	35	68,279	57	92	89
Biloxi - Gulfport - Pascagoula	174.9	0.0743	2.91	86,882	79,992	44,239	55	29,728	37	99	100
Binghamton	431.6	0.1830	2.80	154,241	127,706	41,717	33	79,416	62	61	97
Birmingham	1,357.9	0.5767	2.74	454,984	431,789	242,729	56	154,486	36	78	95
Bluefield - Beckley - Oak Hill	401.3	0.1704	2.82	97,017	92,753	48,143	52	37,269	40	42	104
Boise	425.7	0.1808	2.78	220,268	197,636	72,540	37	109,298	55	92	81
Boston	5,348.8	2.2710	2.74	3,620,705	3,314,140	882,760	27	2,184,957	66	115	103
Bowling Green	119.4	0.0506	2.77	42,189	38,944	22,322	57	14,593	37	66	98
Bristol - Kingsport - Johnson City	768.5	0.3265	2.83	239,159	233,229	131,775	57	79,616	34	72	75
Buffalo	1,725.4	0.7325	2.77	807,051	666,360	218,379	33	407,261	61	79	78
Burlington - Plattsburgh	618.8	0.2628	2.86	326,888	287,340	79,243	28	187,635	65	93	98
Casper - Riverton	157.0	0.0668	2.76	108,577	81,667	30,967	38	44,040	54	91	143
Cedar Rapids - Waterloo - Dubuque	868.7	0.3687	2.73	389,996	319,311	130,287	41	164,951	52	91	83
Charleston, S.C.	592.2	0.2514	3.03	206,248	195,286	103,270	53	71,579	37	105	113
Charleston - Huntington	1,489.4	0.6324	2.81	404,005	370,467	195,089	53	148,239	40	55	94
Charlotte	1,772.9	0.7528	2.77	716,005	692,606	362,336	52	283,279	41	95	99
Chattanooga	821.0	0.3485	2.81	292,297	281,014	139,425	50	125,605	45	79	101
Cheyenne	130.4	0.0552	2.63	67,030	58,891	22,533	38	31,658	54	97	105
Chicago	8,450.1	3.5878	2.78	4,645,402	4,189,961	1,563,215	37	2,291,353	55	120	108
Chico - Redding	380.5	0.1615	2.57	173,208	151,278	51,919	34	93,661	62	78	69
Cincinnati	1,963.6	0.8338	2.73	1,012,005	903,731	417,605	46	408,452	45	100	97
Clarksburg - Weston	235.6	0.1003	2.76	56,976	54,334	28,403	52	21,732	40	52	79
Cleveland	3,785.1	1.6072	2.69	1,957,267	1,722,094	689,359	40	905,450	53	96	95
Colorado Springs - Pueblo	562.4	0.2388	2.74	259,367	231,464	96,112	42	123,394	53	96	90
Columbia, S.C.	764.6	0.3248	2.95	269,008	256,914	133,604	52	100,311	39	101	103
Columbia - Jefferson City	390.0	0.1658	2.81	154,164	143,560	64,073	45	71,431	50	84	89
Columbus, Ga.	531.7	0.2259	2.93	162,734	152,037	83,828	55	57,747	38	88	96
Columbus - Tupelo	441.5	0.1875	2.93	93,004	88,419	49,273	56	34,616	39	50	97
Columbus, Ohio	1,681.6	0.7141	2.66	916,308	822,913	377,260	46	388,095	47	118	93
Corpus Christi	507.5	0.2155	3.08	215,580	185,932	80,597	43	92,998	50	71	82
Dallas - Ft. Worth	3,976.0	1.6885	2.70	2,522,466	2,331,167	1,050,774	45	1,048,618	45	127	109
Davenport - Rock Island - Moline	903.2	0.3834	2.66	417,745	344,055	148,643	43	171,140	50	98	71
Dayton	1,287.4	0.5465	2.67	628,007	570,213	264,502	46	263,268	46	105	85
Denver	2,510.7	1.0658	2.60	1,652,894	1,475,845	465,350	32	887,253	60	113	105
Des Moines	959.7	0.4074	2.60	437,643	376,382	158,508	42	180,873	48	81	80
Detroit	4,656.5	1.9772	2.80	2,132,503	1,905,122	727,061	38	1,008,442	53	89	100
Dothan	284.2	0.1208	2.84	71,001	69,148	39,691	57	25,999	38	60	89
Duluth - Superior	472.9	0.2009	2.71	194,935	152,319	47,558	31	95,448	63	78	75
El Centro - Yuma	187.5	0.0796	3.10	84,830	72,737	24,080	33	45,686	63	78	73
El Paso	715.9	0.3040	3.27	303,245	244,560	100,076	41	125,286	51	97	101
Elmira	241.3	0.1025	2.81	80,893	65,315	20,213	31	41,057	63	65	92
Erie	424.4	0.1803	2.80	156,634	129,376	54,183	42	68,660	53	96	92
Eugene	428.1	0.1819	2.60	215,495	190,285	75,942	40	98,769	52	92	76
Eureka	148.7	0.0632	2.53	87,491	75,896	26,147	34	46,834	62	86	62
Evansville	714.6	0.3035	2.71	289,082	254,487	129,605	51	104,136	41	81	95
Fargo	595.1	0.2527	2.80	273,853	219,740	78,228	36	125,236	57	103	80
Flagstaff	84.7	0.0360	3.23	65,059	60,402	19,246	32	38,488	64	183	108
Flint - Saginaw - Bay City	1,221.2	0.5182	2.88	527,216	443,626	173,303	39	237,465	54	86	97
Florence, S.C.	396.4	0.1683	2.93	172,425	165,610	83,417	50	71,845	43	112	115

continued on page 208

ADI Report

	12/31/83			1983							
ADI Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
Ft. Myers - Naples	448.9	0.1905	2.44	244,038	223,395	84,411	38	124,982	56	106	88
Ft. Smith	381.4	0.1620	2.77	150,312	144,713	81,204	56	52,467	36	90	71
Ft. Wayne	659.0	0.2797	2.84	339,438	303,839	123,300	41	162,948	54	119	83
Fresno	1,128.8	0.4792	2.91	489,931	441,505	169,871	38	254,113	58	81	78
Gainesville	204.0	0.0865	2.72	107,589	100,815	36,793	36	56,241	56	123	88
Glendive	13.8	0.0059	2.65	10,001	6,729	2,407	36	3,994	59	80	96
Grand Junction	151.0	0.0643	2.72	69,850	65,534	17,589	27	44,750	68	94	78
Grand Rapids - Kalamazoo - Battle Creek	1,607.4	0.6826	2.85	642,864	566,333	199,873	35	332,284	59	120	95
Great Falls	177.3	0.0753	2.67	101,112	71,720	24,581	34	41,921	58	83	71
Green Bay	985.8	0.4186	2.79	478,363	370,748	119,061	32	228,385	62	105	80
Greensboro - Winston-Salem - High Point	1,277.2	0.5423	2.70	569,690	555,504	271,021	49	217,174	39	104	94
Greenville - New Bern - Washington	637.7	0.2707	2.95	225,143	212,401	115,278	54	87,532	41	92	86
Greenville - Spartanburg - Asheville	1,620.0	0.6875	2.74	588,647	567,169	302,949	53	225,915	40	88	87
Greenwood - Greenville	252.1	0.1071	3.16	44,228	42,674	23,567	55	16,720	39	39	83
Hagerstown	114.6	0.0487	2.80	44,670	37,212	14,592	39	20,836	56	84	101
Harrisburg - York - Lancaster - Lebanon	1,367.6	0.5807	2.73	605,127	532,920	215,801	40	288,963	54	84	109
Harrisonburg	108.5	0.0462	2.92	31,303	29,547	14,817	50	12,668	43	62	83
Hartford - New Haven	2,226.6	0.9454	2.76	1,396,288	1,249,723	418,37[illegible]	33	735,629	59	112	91
Houston	3,891.1	1.6522	2.78	2,254,823	2,022,394	927,118	46	945,566	47	99	132
Huntsville - Decatur - Florence	688.3	0.2922	2.74	227,780	218,927	128,092	59	75,185	34	78	98
Idaho Falls - Pocatello	329.1	0.1398	3.04	137,149	120,659	44,981	37	66,666	55	76	96
Indianapolis	2,204.3	0.9358	2.78	1,045,504	960,407	480,519	50	389,941	41	104	90
Jackson, Miss.	808.1	0.3429	2.95	229,586	220,653	117,624	53	77,787	35	64	107
Jackson, Tenn.	149.3	0.0633	2.75	55,241	52,326	25,347	48	24,196	46	75	96
Jacksonville	1,074.1	0.4561	2.77	477,454	444,082	222,853	50	191,366	43	108	107
Johnstown - Altoona	854.7	0.3631	2.80	288,157	246,709	100,318	41	131,700	53	72	87
Jonesboro	182.6	0.0775	2.73	47,903	46,708	25,267	54	17,706	38	65	58
Joplin - Pittsburg	456.5	0.1937	2.61	166,367	158,682	75,447	48	74,506	47	87	57
Kansas City	1,857.1	0.7882	2.65	907,897	850,312	395,579	47	381,543	45	103	102
Knoxville	1,142.2	0.4843	2.76	462,442	446,757	232,259	52	184,137	41	89	102
La Crosse - Eau Claire	451.8	0.1916	2.81	241,223	181,007	56,846	31	111,375	62	123	82
Lafayette, Ind.	133.0	0.0565	2.92	70,237	64,967	31,573	49	28,251	43	125	102
Lafayette, La.	567.3	0.2407	2.93	198,863	175,542	86,236	49	71,832	41	74	98
Lake Charles	220.0	0.0934	2.88	95,212	86,671	42,305	49	37,456	43	68	105
Lansing	613.3	0.2606	2.90	260,307	228,431	98,903	43	113,667	50	114	106
Laredo	121.6	0.0516	3.76	44,176	39,787	18,277	46	18,354	46	74	99
Las Vegas	533.3	0.2264	2.55	318,602	261,780	90,979	35	150,617	58	101	677
Laurel - Hattiesburg	231.7	0.0985	2.90	84,325	80,794	44,790	55	31,638	39	82	91
Lexington	882.9	0.3746	2.78	351,707	340,759	192,853	57	121,095	36	78	105
Lima	113.0	0.0480	2.76	58,257	53,859	23,411	43	26,326	49	114	78
Lincoln - Hastings - Kearney	678.1	0.2883	2.65	313,677	259,750	104,786	40	137,233	53	96	72
Little Rock	1,211.6	0.5145	2.78	371,922	361,765	199,019	55	133,021	37	75	84
Los Angeles	11,462.5	4.8667	2.75	7,604,252	7,106,826	2,449,126	34	4,084,024	57	124	101
Louisville	1,429.5	0.6071	2.77	683,799	628,831	341,356	54	229,147	36	91	99
Lubbock	456.1	0.1936	2.89	213,986	195,966	90,350	46	91,894	47	91	72
Macon	418.5	0.1777	2.93	157,104	148,332	76,859	52	60,581	41	89	94
Madison	519.5	0.2204	2.61	360,778	294,901	106,414	36	169,998	58	151	98
Mankato	64.8	0.0276	2.81	41,529	33,121	9,740	29	21,273	64	98	60
Marquette	158.6	0.0674	2.90	63,887	46,877	16,781	36	28,193	60	74	82

continued on page 210

ADI Report

	12/31/83			1983							
						Fast Food		Restaurant			
ADI Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
McAllen - Brownsville	624.0	0.2650	3.64	166,343	144,414	73,201	51	59,201	41	59	95
Medford	309.7	0.1315	2.63	136,800	120,284	42,446	35	72,354	60	78	61
Memphis	1,620.3	0.6880	2.91	558,861	531,460	257,524	48	224,027	42	76	96
Meridian	227.7	0.0967	2.89	50,281	48,553	27,833	57	18,127	37	50	101
Miami	2,951.9	1.2533	2.59	1,868,105	1,718,323	514,874	30	1,054,873	61	141	123
Milwaukee	1,877.9	0.7973	2.72	1,100,620	910,565	297,510	33	534,091	59	111	101
Minneapolis - St. Paul	3,192.3	1.3555	2.77	1,671,482	1,444,654	466,280	32	865,289	60	102	112
Minot - Bismarck - Dickinson	399.4	0.1697	2.84	171,146	125,504	46,271	37	69,511	55	88	89
Missoula - Butte	362.7	0.1539	2.65	240,559	175,135	58,952	34	101,752	58	96	85
Mobile - Pensacola	1,161.1	0.4929	2.87	464,704	419,292	219,230	52	166,850	40	95	104
Monroe - El Dorado	535.3	0.2272	2.85	131,592	121,849	60,703	50	49,739	41	62	84
Montgomery	491.3	0.2087	2.85	162,033	154,768	89,595	58	49,100	32	84	110
Nashville	1,793.3	0.7616	2.80	819,793	789,988	348,733	44	379,707	48	100	106
New Orleans	1,768.5	0.7507	2.80	1,031,211	923,424	415,178	45	436,884	47	103	137
New York	18,025.8	7.6535	2.72	8,652,082	7,626,673	2,192,461	29	4,831,362	63	90	102
Norfolk - Portsmouth - Newport News - Hampton	1,461.3	0.6205	2.92	707,140	681,817	335,107	49	306,969	45	113	98
North Platte	43.4	0.0183	2.71	19,977	18,002	7,029	39	9,756	54	86	90
Odessa - Midland	376.1	0.1599	2.84	222,213	198,894	92,373	46	92,856	47	92	79
Oklahoma City	1,576.9	0.6700	2.65	887,075	848,175	439,551	52	340,536	40	122	77
Omaha	932.4	0.3958	2.69	456,260	379,188	153,884	41	193,244	51	93	82
Orlando - Daytona Beach	1,702.0	0.7225	2.61	1,012,383	935,157	378,851	41	487,109	52	130	127
Ottumwa - Kirksville	77.6	0.0329	2.67	23,327	20,380	9,039	44	10,560	52	66	63
Paducah - Cape Girardeau - Harrisburg	895.0	0.3798	2.62	307,252	279,797	134,584	48	131,026	47	68	74
Palm Springs	746.4	0.3169	2.71	427,102	400,654	132,802	33	235,770	59	104	92
Panama City	176.8	0.0751	2.72	97,829	88,571	32,496	37	49,599	56	137	100
Parkersburg	93.4	0.0397	2.68	39,786	37,721	19,219	51	15,422	41	69	90
Peoria	587.7	0.2497	2.69	284,118	243,812	106,796	44	121,756	50	99	92
Philadelphia	7,031.3	2.9852	2.77	3,454,623	2,948,522	1,020,620	35	1,697,144	58	94	118
Phoenix	2,084.7	0.8851	2.67	1,107,078	987,783	353,200	36	551,774	56	101	106
Pittsburgh	3,322.3	1.4104	2.68	1,339,924	1,120,286	395,729	35	638,651	57	83	101
Portland, Ore.	2,085.8	0.8855	2.59	1,204,101	1,060,694	376,492	35	597,668	56	133	87
Portland - Poland Spring	860.4	0.3654	2.71	466,022	447,369	148,005	33	266,326	60	100	85
Presque Isle	88.3	0.0375	2.97	30,564	28,532	9,761	34	16,647	58	65	85
Providence - New Bedford	1,545.5	0.6563	2.74	866,494	766,971	248,005	32	467,306	61	106	83
Quincy - Hannibal	332.6	0.1413	2.65	114,025	92,527	41,256	45	46,582	50	71	64
Raleigh - Durham	1,667.5	0.7081	2.84	695,710	674,134	337,757	50	283,081	42	103	96
Rapid City	265.6	0.1130	2.79	153,638	125,475	42,517	34	73,074	58	99	102
Reno	380.8	0.1618	2.50	240,136	209,833	73,253	35	122,112	58	116	411
Richmond	1,244.9	0.5282	2.82	510,884	498,719	237,418	48	222,235	45	90	96
Roanoke - Lynchburg	1,001.3	0.4254	2.83	322,227	316,426	152,477	48	141,557	45	72	94
Rochester, N.Y.	956.1	0.4058	2.76	452,690	396,626	122,129	31	247,940	63	82	104
Rochester - Mason City - Austin	385.0	0.1637	2.65	163,406	141,961	48,946	34	83,877	59	90	80
Rockford	517.5	0.2196	2.70	235,821	205,122	70,121	34	122,760	60	96	92
Roswell	165.3	0.0703	2.83	67,827	61,200	25,647	42	31,408	51	72	83
Sacramento - Stockton	2,465.4	1.0468	2.64	1,465,862	1,329,351	487,314	37	750,547	56	102	85
St. Joseph	135.3	0.0575	2.64	57,922	51,354	22,906	45	24,865	48	81	68
St. Louis	2,865.1	1.2164	2.74	1,326,807	1,180,364	545,425	46	539,680	46	83	96
Salinas - Monterey	559.7	0.2375	2.84	365,164	337,547	100,016	30	216,986	64	122	86
Salisbury	224.8	0.0955	2.74	147,751	132,402	50,139	38	74,681	56	104	80
Salt Lake City	1,775.4	0.7539	3.23	653,876	613,263	268,075	44	299,191	49	89	98
San Angelo	117.0	0.0496	2.78	67,582	59,477	27,567	46	27,554	46	83	76

	12/31/83			1983							
						Fast Food		Restaurant			
ADI Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
San Antonio	1,567.2	0.6652	3.00	721,634	633,132	272,475	43	307,435	49	90	89
San Diego	2,036.1	0.8645	2.72	1,281,599	1,167,538	445,134	38	663,868	57	127	109
San Francisco	5,303.3	2.2518	2.56	4,250,622	3,860,630	1,227,339	32	2,259,819	59	129	107
Santa Barbara - Santa Maria - San Luis Obispo	493.7	0.2096	2.66	387,223	365,195	108,032	30	240,606	66	142	85
Sarasota	233.5	0.0992	2.25	175,539	164,282	44,955	27	104,684	64	135	92
Savannah	587.0	0.2492	2.99	223,038	199,988	103,879	52	82,135	41	98	112
Seattle - Tacoma	2,977.8	1.2643	2.60	1,931,816	1,743,230	551,903	32	1,046,343	60	121	96
Selma	51.9	0.0220	2.97	13,789	13,062	8,104	62	4,225	32	61	84
Shreveport - Texarkana	1,275.6	0.5418	2.77	445,502	418,108	207,503	50	179,394	43	76	88
Sioux City	399.0	0.1696	2.68	158,931	127,588	52,661	41	66,069	52	73	69
Sioux Falls - Mitchell	629.8	0.2671	2.70	262,950	214,330	70,874	33	128,044	60	90	69
South Bend - Elkhart	778.1	0.3303	2.80	367,031	322,253	135,197	42	163,988	51	98	75
Spokane	893.1	0.3791	2.68	401,505	333,208	124,515	37	188,925	57	81	83
Springfield, Mass.	647.8	0.2750	2.77	336,363	288,074	85,202	30	177,626	62	74	85
Springfield, Mo.	753.6	0.3198	2.69	252,370	237,176	113,893	48	107,704	45	79	63
Springfield - Decatur - Champaign	924.5	0.3923	2.62	474,512	406,621	167,627	41	210,974	52	97	90
Syracuse	959.3	0.4075	2.85	424,182	365,454	110,424	30	226,468	62	72	91
Tallahassee	448.6	0.1906	2.88	168,331	159,229	68,374	43	79,874	50	91	106
Tampa - St. Petersburg	2,473.1	1.0502	2.49	1,295,746	1,181,110	458,540	39	613,322	52	105	106
Terre Haute	438.2	0.1858	2.66	142,502	122,717	57,870	47	55,930	46	72	74
Toledo	1,132.3	0.4808	2.75	616,212	543,412	220,561	41	277,628	51	108	85
Topeka	403.5	0.1713	2.68	165,557	148,698	70,615	47	67,981	46	95	75
Traverse City - Cadillac	414.0	0.1757	2.75	192,983	155,254	55,918	36	93,375	60	87	68
Tucson	708.1	0.3006	2.63	318,016	278,549	108,870	39	152,219	55	88	88
Tulsa	1,202.4	0.5102	2.66	557,557	535,236	266,457	50	224,087	42	100	89
Tuscaloosa	142.3	0.0604	2.83	54,961	52,677	30,665	58	17,714	34	101	96
Twin Falls	75.4	0.0321	2.87	27,398	24,907	9,243	37	13,877	56	88	78
Tyler	283.9	0.1206	2.83	99,981	96,880	44,755	46	45,187	47	65	89
Utica	381.8	0.1620	2.84	178,617	148,396	54,639	37	83,251	56	75	72
Victoria	77.5	0.0329	2.95	46,886	38,963	18,535	48	18,766	48	101	84
Waco - Temple	653.0	0.2773	2.87	293,418	268,155	123,558	46	123,924	46	104	81
Washington, D.C.	4,053.8	1.7212	2.74	2,230,945	2,110,246	796,685	38	1,144,355	54	112	127
Watertown - Carthage	232.9	0.0990	3.00	85,602	66,140	20,223	31	42,466	64	59	77
Wausau - Rhinelander	440.5	0.1871	2.80	185,572	136,642	39,207	29	89,100	65	84	79
West Palm Beach	939.3	0.3988	2.45	553,901	493,554	147,888	30	318,061	64	121	110
Wheeling - Steubenville	452.6	0.1921	2.71	170,871	141,063	65,162	46	64,912	46	71	84
Wichita - Hutchinson	1,093.5	0.4642	2.59	479,504	449,406	216,127	48	198,806	44	98	70
Wichita Falls - Lawton	455.6	0.1935	2.82	181,917	169,165	81,756	48	75,199	44	88	69
Wilkes-Barre - Scranton	1,308.2	0.5555	2.70	404,323	341,908	133,515	39	186,520	55	69	72
Wilmington	364.0	0.1545	2.88	128,370	125,042	65,471	52	51,167	41	86	87
Yakima	481.3	0.2043	2.75	237,123	204,255	68,303	33	121,906	60	87	84
Youngstown	649.4	0.2757	2.72	289,470	247,611	109,504	44	121,773	49	86	80
Zanesville	84.4	0.0358	2.71	31,724	25,506	11,120	44	12,487	49	70	72
Total ADIs	233,991.3	99.3491	2.75	117,287,708	105,454,068	41,037,951	39	56,227,656	53	100	99

The following segment of the Restaurant Growth Index ranks the top 100 restaurant, fast food, RAI and RGI markets in 1983 by metro area and by ADI. For a list of countries which comprise each metro area according to Federal government definition, see page 168.

continued on page 212

Top 100 Restaurant Markets - 1983

By Metro Area

Metro Area Name	Sales ($000)	Ranking
Los Angeles - Long Beach	2,800,939	1
New York	2,309,878	2
Chicago	1,763,891	3
Boston - Lawrence - Salem - Lowell - Brockton	1,529,236	4
Philadelphia	1,065,510	5
Washington	1,040,240	6
San Francisco	967,270	7
Detroit	933,755	8
Anaheim - Santa Ana	921,057	9
Houston	825,374	10
Seattle	711,165	11
Minneapolis - St Paul	677,195	12
Dallas	667,168	13
Nassau - Suffolk	664,989	14
San Diego	663,868	15
Denver	572,931	16
Oakland	563,414	17
San Jose	548,518	18
Miami - Hialeah	520,315	19
Atlanta	510,966	20
Fort Lauderdale - Hollywood - Pompano Beach	506,943	21
Cleveland	497,545	22
Pittsburgh	496,371	23
Phoenix	476,700	24
Tampa - St Petersburg - Clearwater	471,109	25
Riverside - San Bernardino	434,928	26
Baltimore	431,876	27
Sacramento	426,845	28
Newark	421,068	29
Milwaukee	418,821	30
Honolulu	414,385	31
Bergen - Passaic	405,483	32
St Louis	386,476	33
New Orleans	372,887	34
Portland, Ore	357,358	35
Hartford - New Britain - Middletown - Bristol	353,600	36
Cincinnati	347,988	37
Kansas City	335,447	38
Bridgeport - Stamford - Norwalk - Danbury	325,945	39
Columbus, Ohio	325,784	40
Fort Worth - Arlington	297,636	41
Norfolk - Virginia Beach - Newport News	271,546	42
Nashville	269,042	43
Buffalo	267,148	44
San Antonio	266,292	45
Providence - Pawtucket - Woonsocket	263,110	46
New Haven - Waterbury - Meriden	260,530	47
West Palm Beach - Boca Raton - Delray Beach	256,565	48
Monmouth - Ocean	255,326	49
Rochester N Y	251,298	50
Orlando	248,394	51
Oklahoma City	234,388	52
Albany - Schenectady - Troy	220,031	53
Indianapolis	218,541	54
Dayton - Springfield	207,317	55
Middlesex - Somerset - Hunterdon	196,716	56
Toledo	185,781	57
Louisville	182,803	58
Charlotte - Gastonia - Rock Hill	181,926	59
Austin	175,580	60
Memphis	172,993	61
Syracuse	172,604	62
Atlantic City	169,187	63
Akron	167,311	64
Greensboro - Winston-Salem - High Point	166,421	65
Richmond - Petersburg	165,168	66
Santa Barbara - Santa Maria - Lompoc	164,693	67
Worcester - Fitchburg - Leominster	163,658	68
Salt Lake City - Ogden	162,023	69
Springfield, Mass	160,547	70
Grand Rapids	155,383	71
Oxnard - Ventura	153,604	72
Las Vegas	149,875	73
Tulsa	147,858	74
Omaha	147,364	75
Jacksonville, Fla	146,165	76
Gary - Hammond	144,159	77
Raleigh - Durham	142,116	78
Allentown - Bethlehem	138,707	79
Scranton - Wilkes-Barre	138,584	80
Bakersfield	135,262	81
Salinas - Seaside - Monterey	134,378	82
Fresno	132,970	83
Harrisburg - Lebanon - Carlisle	132,748	84
Tucson	132,028	85
New Bedford - Fall River - Attleboro	127,272	86
Madison	125,368	87
Knoxville	124,716	88
Birmingham	123,886	89
Albuquerque	121,955	90
Fort Wayne	118,169	91
Portsmouth - Dover - Rochester	116,823	92
Santa Rosa - Petaluma	112,824	93
Wilmington, Del	112,567	94
Tacoma	112,163	95
Lake County, Ill	112,144	96
Vallejo - Fairfield - Napa	111,380	97
Anchorage	104,684	98
Sarasota	104,684	98
Manchester - Nashua	102,677	100

By ADI

ADI Name	Sales ($000)	Ranking
New York	4,831,362	1
Los Angeles	4,084,024	2
Chicago	2,291,353	3
San Francisco	2,259,819	4
Boston	2,184,957	5
Philadelphia	1,697,144	6
Washington, D C	1,144,355	7
Miami	1,054,873	8
Dallas - Ft Worth	1,048,618	9
Seattle - Tacoma	1,046,343	10
Detroit	1,008,442	11
Houston	945,566	12
Cleveland	905,450	13
Denver	887,253	14
Minneapolis - St Paul	865,289	15
Sacramento - Stockton	750,547	16
Hartford - New Haven	735,629	17
San Diego	663,868	18
Pittsburgh	638,651	19
Tampa - St Petersburg	613,322	20
Atlanta	604,470	21
Portland, Ore	597,668	22
Phoenix	551,774	23
St Louis	539,680	24
Milwaukee	534,091	25
Orlando - Daytona Beach	487,109	26
Baltimore	469,087	27
Providence - New Bedford	467,306	28
New Orleans	436,884	29
Cincinnati	408,452	30
Buffalo	407,261	31
Indianapolis	389,941	32
Columbus, Ohio	388,095	33
Kansas City	381,543	34
Nashville	379,707	35
Oklahoma City	340,536	36
Albany - Schenectady - Troy	339,328	37
Grand Rapids - Kalamazoo - Battle Creek	332,284	38
West Palm Beach	318,061	39
San Antonio	307,435	40
Norfolk - Portsmouth - Newport News - Hampton	306,969	41
Salt Lake City	299,191	42
Harrisburg - York - Lancaster - Lebanon	288,963	43
Charlotte	283,279	44
Raleigh - Durham	283,081	45
Toledo	277,628	46
Albuquerque	272,049	47
Portland - Poland Spring	266,326	48
Dayton	263,268	49
Fresno	254,113	50
Rochester, N Y	247,940	51
Santa Barbara - Santa Maria - San Luis Obispo	240,606	52
Flint - Saginaw - Bay City	237,465	53
Palm Springs	235,770	54
Louisville	229,147	55
Green Bay	228,385	56
Syracuse	226,468	57
Greenville - Spartanburg - Asheville	225,915	58
Tulsa	224,087	59
Memphis	224,027	60
Richmond	222,235	61
Greensboro - Winston-Salem - High Point	217,174	62
Salinas - Monterey	216,986	63
Springfield - Decatur - Champaign	210,974	64
Wichita - Hutchinson	198,806	65
Omaha	193,244	66
Austin, Tex	191,961	67
Jacksonville	191,366	68
Spokane	188,925	69
Burlington - Plattsburgh	187,635	70
Wilkes-Barre - Scranton	186,520	71
Knoxville	184,137	72
Des Moines	180,873	73
Shreveport - Texarkana	179,394	74
Springfield, Mass	177,626	75
Davenport - Rock Island - Moline	171,140	76
Madison	169,998	77
Mobile - Pensacola	166,850	78
Cedar Rapids - Waterloo - Dubuque	164,951	79
South Bend - Elkhart	163,988	80
Ft Wayne	162,948	81
Birmingham	154,486	82
Tucson	152,219	83
Las Vegas	150,617	84
Charleston - Huntington	148,239	85
Roanoke - Lynchburg	141,557	86
Lincoln - Hastings - Kearney	137,233	87
Bakersfield	135,262	88
Little Rock	133,021	89
Johnstown - Altoona	131,700	90
Paducah - Cape Girardeau - Harrisburg	131,026	91
Sioux Falls - Mitchell	128,044	92
Chattanooga	125,605	93
El Paso	125,286	94
Fargo	125,236	95
Ft Myers - Naples	124,982	96
Waco - Temple	123,924	97
Colorado Springs - Pueblo	123,394	98
Rockford	122,760	99
Reno	122,112	100

continued on page 214

Top 100 Fast Food Markets - 1983

[illegible]

Metro Area Name	Sales ($000)	Ranking
Los Angeles - Long Beach	1,590,927	1
Chicago	1,134,126	2
New York	958,389	3
Houston	797,700	4
Washington	696,017	5
Detroit	674,057	6
Philadelphia	651,354	7
Boston - Lawrence - Salem - Lowell - Brockton	627,734	8
Dallas	602,858	9
Atlanta	599,212	10
Anaheim - Santa Ana	530,730	11
San Diego	445,134	12
Baltimore	395,753	13
San Francisco	394,966	14
Minneapolis - St Paul	383,576	15
St Louis	382,013	16
San Jose	371,645	17
Fort Worth - Arlington	363,037	18
Oakland	362,664	19
Seattle	358,065	20
Kansas City	351,695	21
Cleveland	346,396	22
Riverside - San Bernardino	345,823	23
Tampa - St Petersburg - Clearwater	341,891	24
Nassau - Suffolk	339,163	25
New Orleans	331,487	26
Cincinnati	329,523	27
Columbus, Ohio	321,618	28
Oklahoma City	318,310	29
Phoenix	315,521	30
Indianapolis	298,739	31
Denver	296,308	32
Norfolk - Virginia Beach - Newport News	290,391	33
Louisville	281,695	34
Pittsburgh	281,561	35
Miami - Hialeah	270,708	36
Sacramento	269,813	37
Honolulu	246,460	38
Milwaukee	242,554	39
San Antonio	231,571	40
Charlotte - Gastonia - Rock Hill	230,306	41
Portland, Ore	227,100	42
Fort Lauderdale - Hollywood - Pompano Beach	224,438	43
Nashville	222,724	44
Hartford - New Britain - Middletown - Bristol	214,793	45
Orlando	214,175	46
Dayton - Springfield	211,522	47
Newark	209,360	48
Bergen - Passaic	206,697	49
Greensboro - Winston-Salem - High Point	205,486	50
Memphis	193,780	51
Birmingham	186,063	52
Tulsa	179,798	53
Jacksonville, Fla	173,311	54
Richmond - Petersburg	172,360	55
Salt Lake City - Ogden	172,187	56
Knoxville	162,539	57
Austin	159,467	58
Raleigh - Durham	155,037	59
Greenville - Spartanburg	147,639	60
Toledo	146,564	61
New Haven - Waterbury - Meriden	145,349	62
Gary - Hammond	144,540	63
Buffalo	144,124	64
Akron	133,286	65
Providence - Pawtucket - Woonsocket	132,664	66
Rochester, N Y	123,854	67
Baton Rouge	120,164	68
Omaha	118,750	69
Bridgeport - Stamford - Norwalk - Danbury	118,724	70
Middlesex - Somerset - Hunterdon	118,012	71
Monmouth - Ocean	117,117	72
Wichita	113,641	73
Oxnard - Ventura	109,305	74
Lexington-Fayette	107,898	75
Albuquerque	107,646	76
Allentown - Bethlehem	107,340	77
Little Rock - North Little Rock	105,932	78
Harrisburg - Lebanon - Carlisle	105,275	79
Albany - Schenectady - Troy	104,428	80
West Palm Beach - Boca Raton - Delray Beach	103,919	81
Johnson City - Kingsport - Bristol	103,451	82
Fresno	102,602	83
Tucson	98,753	84
Columbia, S C	97,078	85
Beaumont - Port Arthur	96,105	86
Youngstown - Warren	94,802	87
Mobile	93,629	88
Las Vegas	90,530	89
Shreveport	88,845	90
Scranton - Wilkes-Barre	87,766	91
Charleston, S C	87,488	92
Bakersfield	87,369	93
Lake County, Ill	87,130	94
Madison	86,775	95
Chattanooga	85,699	96
Syracuse	84,858	97
Wilmington, Del	83,506	98
Fort Wayne	82,655	99
Anchorage	80,270	100

ADI Name	Sales ($000)	Ranking
Los Angeles	2,449,126	1
New York	2,192,461	2
Chicago	1,563,215	3
San Francisco	1,227,339	4
Dallas - Ft Worth	1,050,774	5
Philadelphia	1,020,620	6
Houston	927,118	7
Boston	882,760	8
Washington, D C	796,685	9
Atlanta	736,748	10
Detroit	727,061	11
Cleveland	689,359	12
Seattle - Tacoma	551,903	13
St Louis	545,425	14
Miami	514,874	15
Sacramento - Stockton	487,314	16
Indianapolis	480,519	17
Minneapolis - St Paul	466,280	18
Denver	465,350	19
Tampa - St Petersburg	458,540	20
San Diego	445,134	21
Oklahoma City	439,551	22
Hartford - New Haven	418,371	23
Cincinnati	417,605	24
Baltimore	416,861	25
New Orleans	415,178	26
Pittsburgh	395,729	27
Kansas City	395,579	28
Orlando - Daytona Beach	378,851	29
Columbus, Ohio	377,260	30
Portland, Ore	376,492	31
Charlotte	362,336	32
Phoenix	353,200	33
Nashville	348,733	34
Louisville	341,356	35
Raleigh - Durham	337,757	36
Norfolk - Portsmouth - Newport News - Hampton	335,107	37
Greenville - Spartanburg - Asheville	302,949	38
Milwaukee	297,510	39
San Antonio	272,475	40
Greensboro - Winston-Salem - High Point	271,021	41
Salt Lake City	268,075	42
Tulsa	266,457	43
Dayton	264,502	44
Memphis	257,524	45
Providence - New Bedford	248,005	46
Birmingham	242,729	47
Richmond	237,418	48
Knoxville	232,259	49
Jacksonville	222,853	50
Toledo	220,561	51
Mobile - Pensacola	219,230	52
Buffalo	218,379	53
Wichita - Hutchinson	216,127	54
Harrisburg - York - Lancaster - Lebanon	215,801	55
Albuquerque	213,684	56
Shreveport - Texarkana	207,503	57
Grand Rapids - Kalamazoo - Battle Creek	199,873	58
Little Rock	199,019	59
Charleston - Huntington	195,089	60
Lexington	192,853	61
Austin, Tex	175,741	62
Flint - Saginaw - Bay City	173,303	63
Fresno	169,871	64
Springfield - Decatur - Champaign	167,627	65
Albany - Schenectady - Troy	162,406	66
Des Moines	158,508	67
Omaha	153,884	68
Roanoke - Lynchburg	152,477	69
Davenport - Rock Island - Moline	148,643	70
Portland - Poland Spring	148,005	71
West Palm Beach	147,888	72
Baton Rouge	146,117	73
Chattanooga	139,425	74
South Bend - Elkhart	135,197	75
Paducah - Cape Girardeau - Harrisburg	134,584	76
Columbia, S C	133,604	77
Wilkes-Barre - Scranton	133,515	78
Palm Springs	132,802	79
Bristol - Kingsport - Johnson City	131,775	80
Cedar Rapids - Waterloo - Dubuque	130,287	81
Evansville	129,605	82
Huntsville - Decatur - Florence	128,092	83
Spokane	124,515	84
Waco - Temple	123,558	85
Ft Wayne	123,300	86
Rochester, N Y	122,129	87
Green Bay	119,061	88
Jackson, Miss	117,624	89
Greenville - New Bern - Washington	115,278	90
Springfield, Mo	113,893	91
Syracuse	110,424	92
Youngstown	109,504	93
Tucson	108,870	94
Amarillo	108,719	95
Santa Barbara - Santa Maria - San Luis Obispo	108,032	96
Peoria	106,796	97
Madison	106,414	98
Lincoln - Hastings - Kearney	104,786	99
Savannah	103,879	100

Top 100 RAI Markets - 1983

Metro Area Name	RAI	Ranking
Honolulu	228	1
Panama City	223	2
La Crosse	205	3
Jacksonville, N C	185	4
Bryan - College Station	178	5
Madison	178	5
Bellingham	176	7
Fort Lauderdale - Hollywood - Pompano Beach	170	8
Battle Creek	169	9
Fort Walton Beach	169	9
Ann Arbor	165	11
Fort Worth - Arlington	164	12
San Francisco	164	12
Grand Rapids	158	14
Huntsville	155	15
Santa Barbara - Santa Maria - Lompoc	155	15
Grand Forks	154	17
Enid	150	18
Kalamazoo	150	18
Santa Fe	149	20
Portland, Ore	148	21
Fort Wayne	146	22
Bradenton	145	23
Champaign - Urbana - Rantoul	144	24
Salinas - Seaside - Monterey	144	24
Daytona Beach	143	26
Oklahoma City	143	26
Orlando	142	28
Eau Claire	139	29
Fargo - Moorhead	137	30
Anaheim - Santa Ana	136	31
Burlington, Vt	136	31
Salem, Ore	136	31
Sarasota	135	34
Dallas	134	35
Seattle	134	35
Wichita	134	35
Anchorage	133	38
Gainesville	132	39
West Palm Beach - Boca Raton - Delray Beach	132	39
Columbus, Ohio	130	41
Raleigh - Durham	130	41
Lafayette, Ind	129	43
Bloomington, Ind	128	44
Savannah	128	44
Shreveport	128	44
Albuquerque	127	47
Atlanta	127	47
Chicago	127	47
San Diego	127	47
San Jose	127	47
Wilmington, N C	127	47
Knoxville	126	53
Los Angeles - Long Beach	126	53
Melbourne - Titusville - Palm Bay	126	53
Muncie	126	53
Muskegon	126	53
Amarillo	125	58
Nashville	125	58
Atlantic City	124	60
Clarksville - Hopkinsville	124	60
Sioux Falls	124	60
Norfolk - Virginia Beach - Newport News	123	63
Boston - Lawrence - Salem - Lowell - Brockton	122	64
Columbia, S C	122	64
Odessa	122	64
Miami - Hialeah	121	67
Athens	120	68
Austin	120	68
Naples	120	68
Columbia, Mo	119	71
Lansing - East Lansing	119	71
Toledo	119	71
Boise	118	74
Boulder - Longmont	118	74
Davenport - Rock Island - Moline	118	74
Jacksonville, Fla	118	74
Reno	118	74
Asheville	117	79
Hartford - New Britain - Middletown - Bristol	117	79
Lubbock	117	79
Rochester, Minn	117	79
Washington	117	79
Greenville - Spartanburg	116	84
Jackson, Mich	116	84
Montgomery	116	84
South Bend - Mishawaka	116	84
Fayetteville, N C	115	88
Green Bay	115	88
Lincoln	115	88
Milwaukee	115	88
Bloomington - Normal	114	92
Kankakee	114	92
Bismarck	113	94
Cincinnati	113	94
Denver	113	94
Greensboro - Winston-Salem - High Point	113	94
Ocala	113	94
Tallahassee	113	94
Fort Collins - Loveland	112	100
Killeen - Temple	112	100
New Haven - Waterbury - Meriden	112	100
Pensacola	112	100

ADI Name	RAI	Ranking
Flagstaff	183	1
Madison	151	2
Santa Barbara - Santa Maria - San Luis Obispo	142	3
Miami	141	4
Panama City	137	5
Sarasota	135	6
Portland, Ore	133	7
Orlando - Daytona Beach	130	8
San Francisco	129	9
Dallas - Ft Worth	127	10
San Diego	127	10
Lafayette, Ind	125	12
Los Angeles	124	13
Gainesville	123	14
La Crosse - Eau Claire	123	14
Oklahoma City	122	16
Salinas - Monterey	122	16
Seattle - Tacoma	121	18
West Palm Beach	121	18
Chicago	120	20
Grand Rapids - Kalamazoo - Battle Creek	120	20
Ft Wayne	119	22
Columbus, Ohio	118	23
Atlanta	116	24
Reno	116	24
Boston	115	26
Lansing	114	27
Lima	114	27
Denver	113	29
Norfolk - Portsmouth - Newport News - Hampton	113	29
Austin, Tex	112	31
Florence, S C	112	31
Hartford - New Haven	112	31
Washington, D C	112	31
Milwaukee	111	35
Jacksonville	108	36
Toledo	108	36
Ft Myers - Naples	106	38
Providence - New Bedford	106	38
Charleston, S C	105	40
Dayton	105	40
Green Bay	105	40
Tampa - St Petersburg	105	40
Albuquerque	104	44
Greensboro - Winston-Salem - High Point	104	44
Indianapolis	104	44
Palm Springs	104	44
Salisbury	104	44
Waco - Temple	104	44
Fargo	103	50
Kansas City	103	50
New Orleans	103	50
Raleigh - Durham	103	50
Minneapolis - St Paul	102	54
Sacramento - Stockton	102	54
Columbia, S C	101	56
Las Vegas	101	56
Phoenix	101	56
Tuscaloosa	101	56
Victoria	101	56
Cincinnati	100	61
Nashville	100	61
Portland - Poland Spring	100	61
Tulsa	100	61
Biloxi - Gulfport - Pascagoula	99	65
Houston	99	65
Peoria	99	65
Rapid City	99	65
Davenport - Rock Island - Moline	98	69
Mankato	98	69
Savannah	98	69
South Bend - Elkhart	98	69
Wichita - Hutchinson	98	69
Amarillo	97	74
Cheyenne	97	74
El Paso	97	74
Springfield - Decatur - Champaign	97	74
Cleveland	96	78
Colorado Springs - Pueblo	96	78
Erie	96	78
Lincoln - Hastings - Kearney	96	78
Missoula - Butte	96	78
Rockford	96	78
Charlotte	95	84
Mobile - Pensacola	95	84
Topeka	95	84
Grand Junction	94	87
Philadelphia	94	87
Burlington - Plattsburgh	93	89
Omaha	93	89
Anniston	92	91
Billings - Hardin	92	91
Boise	92	91
Eugene	92	91
Greenville - New Bern - Washington	92	91
Odessa - Midland	92	91
Casper - Riverton	91	97
Cedar Rapids - Waterloo - Dubuque	91	97
Louisville	91	97
Lubbock	91	97
Tallahassee	91	97

continued on page 216

Top 100 RGI Markets - 1983

[illegible]

Metro Area Name	RGI	Ranking
Las Vegas	684	1
Reno	401	2
Atlantic City	224	3
Aurora - Elgin	188	4
Casper	174	5
Rochester, Minn	173	6
Honolulu	168	7
Orlando	165	8
Anchorage	158	9
Iowa City	149	10
New Orleans	143	11
Houston	141	12
Miami - Hialeah	139	13
Washington	136	14
Minneapolis - St Paul	133	15
Baton Rouge	129	16
Brazoria	128	17
Huntsville	128	17
Bremerton	125	19
Madison	125	19
Ann Arbor	123	21
Houma - Thibodaux	123	21
Dallas	122	23
West Palm Beach - Boca Raton - Delray Beach	122	23
Bismarck	120	25
Newark	120	25
Richland - Kennewick - Pasco	120	25
San Jose	120	25
Atlanta	118	29
Beaver County, Pa	118	29
Charleston, S C	118	29
Trenton	118	29
Denver	117	33
Montgomery	117	33
Nashville	117	33
Lansing - East Lansing	116	36
Tallahassee	116	36
Florence, S.C	115	38
Jackson, Miss	115	38
Lexington-Fayette	115	38
Phoenix	115	38
Pensacola	114	42
Grand Forks	113	43
Lancaster	113	43
Philadelphia	113	43
Burlington, Vt	112	46
Knoxville	112	46
Lafayette, La	112	46
San Francisco	112	46
Tampa - St. Petersburg - Clearwater	112	46
Albany, Ga	111	51
Chicago	111	51
Fargo - Moorhead	111	51
Harrisburg - Lebanon - Carlisle	111	51
Kansas City	111	51
Shreveport	111	51
Boston - Lawrence - Salem - Lowell - Brockton	110	57
Middlesex - Somerset - Hunterdon	110	57
Sioux Falls	110	57
Charleston, W Va	109	60
Grand Rapids	109	60
Jersey City	109	60
San Diego	109	60
Wausau	109	60
Binghamton	108	65
Cedar Rapids	108	65
Kalamazoo	108	65
Wilmington, Del	108	65
Chattanooga	107	69
Columbia, Mo	107	69
Des Moines	107	69
El Paso	107	69
Flint	107	69
Jacksonville, Fla	107	69
Lake Charles	107	69
Laredo	107	69
Lincoln	107	69
Manchester - Nashua	107	69
Milwaukee	107	69
Panama City	107	69
Saginaw - Bay City - Midland	107	69
St Louis	107	69
Springfield, Ill	107	69
Baltimore	106	84
Bangor	106	84
Fort Lauderdale - Hollywood - Pompano Beach	106	84
Indianapolis	106	84
Memphis	106	84
Savannah	106	84
Evansville	105	90
Fort Worth - Arlington	105	90
Lafayette, Ind	105	90
Mobile	105	90
Raleigh - Durham	105	90
Seattle	105	90
Louisville	104	96
New York	104	96
Oxnard - Ventura	104	96
Pittsburgh	104	96
Biloxi - Gulfport	103	100
Charlotte - Gastonia - Rock Hill	103	100
Cincinnati	103	100
Decatur	103	100
Galveston - Texas City	103	100
Rochester, N Y	103	100
Spokane	103	100
York	103	100

ADI Name	RGI	Ranking
Las Vegas	677	1
Reno	411	2
Casper - Riverton	143	3
New Orleans	137	4
Houston	132	5
Baton Rouge	129	6
Orlando - Daytona Beach	127	7
Washington, D C	127	7
Miami	123	9
Philadelphia	118	10
Florence, S C	115	11
Charleston, S C	113	12
Minneapolis - St Paul	112	13
Savannah	112	13
Atlanta	110	15
Montgomery	110	15
West Palm Beach	110	15
Dallas - Ft Worth	109	18
Harrisburg - York - Lancaster - Lebanon	109	18
San Diego	109	18
Chicago	108	21
Flagstaff	108	21
Jackson, Miss	107	23
Jacksonville	107	23
San Francisco	107	23
Lansing	106	26
Nashville	106	26
Phoenix	106	26
Tallahassee	106	26
Tampa - St Petersburg	106	26
Cheyenne	105	31
Denver	105	31
Lake Charles	105	31
Lexington	105	31
Baltimore	104	35
Bluefield - Beckley - Oak Hill	104	35
Mobile - Pensacola	104	35
Rochester, N Y	104	35
Augusta	103	39
Boston	103	39
Columbia, S C	103	39
Kansas City	102	42
Knoxville	102	42
Lafayette, Ind	102	42
New York	102	42
Rapid City	102	42
Chattanooga	101	47
El Paso	101	47
Hagerstown	101	47
Los Angeles	101	47
Meridian	101	47
Milwaukee	101	47
Pittsburgh	101	47
Alexandria, La	100	54
Biloxi - Gulfport - Pascagoula	100	54
Detroit	100	54
Panama City	100	54
Charlotte	99	58
Laredo	99	58
Louisville	99	58
Anniston	98	61
Beaumont - Port Arthur	98	61
Bowling Green	98	61
Burlington - Plattsburgh	98	61
Huntsville - Decatur - Florence	98	61
Lafayette, La	98	61
Madison	98	61
Norfolk - Portsmouth - Newport News - Hampton	98	61
Salt Lake City	98	61
Binghamton	97	70
Cincinnati	97	70
Columbus - Tupelo	97	70
Flint - Saginaw - Bay City	97	70
Columbus, Ga	96	74
Glendive	96	74
Idaho Falls - Pocatello	96	74
Jackson, Tenn	96	74
Memphis	96	74
Raleigh - Durham	96	74
Richmond	96	74
St Louis	96	74
Seattle - Tacoma	96	74
Tuscaloosa	96	74
Albany, Ga	95	84
Birmingham	95	84
Cleveland	95	84
Evansville	95	84
Grand Rapids - Kalamazoo - Battle Creek	95	84
McAllen - Brownsville	95	84
Charleston - Huntington	94	90
Greensboro - Winston-Salem - High Point	94	90
Macon	94	90
Roanoke - Lynchburg	94	90
Columbus, Ohio	93	94
Albuquerque	92	95
Elmira	92	95
Erie	92	95
Palm Springs	92	95
Peoria	92	95
Rockford	92	95
Sarasota	92	95
Austin, Tex	91	102
Bakersfield	91	102
Hartford - New Haven	91	102
Laurel - Hattiesburg	91	102
Syracuse	91	102

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Restaurant Business

OCTOBER 10, 1984

[redacted]

RB ROUNDTABLE

page 159

Denver Independents: On top of their market

DWI: The Sobering Facts page 112

Festive fare page 243

LATELINE page 283

Restaurant
Business

OCTOBER 10, 1984

VOL. 83. NO. 15

Contents

COVER STORY

RB Roundtable: Denver Independents—Nine operators from the Mile High City focus on the strengths and weaknesses they face in this highly competitive market. Convened by *Restaurant Business*, this roundtable of independents discusses concept development, concept marketing, and long range goals emphasizing the importance of being on top of your market 159

FEATURES

DWI: The sobering facts
In this exclusive article, *Restaurant Business* addresses the controversial issue of drunk driving with two articles: The new temperance era; and The lower proof restaurant 112

Kentucky Fried Chicken
A back to basics philosophy is the recipe that the nation's largest fast food chicken chain is using to do things right 140

Victoria Station
This chain is betting on its new Bonkers concept to replace underperforming units, aid expansion efforts and return the company to profitability 176

Market segment report: Supermarkets/Deli
Restaurant Business continues its series of special market reports with an in-depth analysis of the nation's supermarket industry 190

Taco Bell
This Mexican fast food chain is testing major changes in image and strategy in the Denver market preparing for national rollout 210

Amway Grand Plaza
With different restaurants, this luxury hotel in Grand Rapids, Michigan, is luring locals and tourists with its interesting selection of food and decor 254

MENU IDEAS

Festive fare
Merchandising a bountiful holiday menu is a festive way to attract customers, and developing the right dishes is simple, easy and economical as food editor Kathleen Sanderson demonstrates this month, in the *Restaurant Business* Test Kitchen . 243

DEPARTMENTS

Sanitation Tips 2
RB Insights 12
RGI Spotlight: Boston 14
Editorial
The workforce in 1994 20
Up Front 24
Menu Planners Guide 62
Personal Finance
New offerings 84
Trade Quotes 90
Tax Bite
A look at the new laws 92
Management Psychology
Career Counseling 108
Raising Your Equipment I.Q.
A breath of fresh air 222
Drafts, Carafes & Spirits
Dessert drinks 235
Bar Management Guide 240
Chef's Art
Chef Marcel Desaulniers,
The Trellis Cafe 251
Design Marketplace 252
Buyer's Circle 262
Calendar 276
Classifieds 278
Worth Writing For 282
Lateline 283
RB Eyes Washington 286
Restaurant Openings 288

Cover photo by George Ward. Denver Roundtable participants (l. to r.) Roi Davis, Dean Petersen, Frank Day, Tom Wilscam, Todd Disner, Bill James, Wayne Dozier, Steve Knowlton, and Philippe Colom.

Market Segment Report

Minneapolis-based Byerly's places a strong emphasis on deli business.

Supermarkets cater convenience to one-stop shopper

by Rona Gindin

Restaurants continue to reap the benefits of society's move toward smaller households, as individuals living alone and those in dual-income households tend to dine out more than people of other population segments. Holding their own, supermarkets have been expanding services to create a new niche attractive to this customer who prefers to stay out of the kitchen.

Through their deli departments, supermarkets appeal to customers who prefer to spend neither the time nor the money to cook or dine out by offering prepared meals for home consumption. Ease of preparation is the primary attraction. But the one-stop shopping convenience of purchasing the meal in the supermarket, a stop on every American's list at least once a week, adds appeal to the option.

Accompanying the delis in many chains are salad bars, bakeries with freshly baked products, and seating for on-site consumption. Separate restaurants elsewhere in the store help keep foodservice dollars in some supermarkets, but a variety of obstacles have cut back that movement.

"Three predominant factors affect the supermarket of the 80s," points out Karen Brown, a spokesman for the Food Marketing Institute (FMI) in Washington, D.C. "One is changing demographics and lifestyles. More people are living alone, more married couples have two incomes, and the population of retirees is growing. Second, with today's new technology supermarkets can track customer purchasing patterns and more accurately determine what they're buying. The use of computerized scanners dominates that trend. Last, consumers show a stronger interest than ever before in health and nutrition.

Delis

Most take-out meals are available from service delicatessen counters, which generally consist of glass-housed meats, cheeses, and now prepared foods. They are sliced or measured to order by supermarket workers. Adding a quality image to one-stop shopping convenience, service delis offer the consumer visually appealing presentation, taste testing opportunity, and variety.

According to industry publication *Supermarket News,* service delis have traditionally been traffic builders rather than profit makers.

Some chains have decided to stick to the self-service ease of the last three decades rather than beef up service. They claim that high labor costs and lack of foodservice knowledge diminish service deli profits despite product profitability. Merchandising capabilities in a self-service deli are more limited.

According to figures by the FMI and *Progressive Grocer,* an industry publication, 53 percent of the 29,550 U.S. supermarkets have service delis and 25 percent have self-serve delis; there is an overlap. Of new stores, however, 86.8 percent incorporate service delis.

Delis with carry-out, FMI distinguishes, are in operation in 50.3 percent of U.S. supermarkets.

Deli sales in supermarkets reached $4 billion in 1983, according to *Progressive Grocer*. Deli sales account for 3.5 percent of total sales in those supermarkets that have delis, and 2.2 percent of supermarket sales overall. The average supermarket has annual sales of $6 million.

Traditional hot deli items include barbecue ribs, fried chicken, lasagna, and salisbury steak. In small cities and rural areas, only fast food restaurants compete with the supermarkets who have these offerings.

With the new interest in gourmet foods, chains on both coasts as well as in some other major metropolitan areas have expanded their menus. Pasta salads, seafood salads, pesto chicken, and other "trendy" items compose a more sophisticated mix. These same areas house independent "gourmet take-out" specialty shops.

continued on page 194

"America is in the middle of a trend where more people live to eat rather than eat to live," notes Robert Mohel, vice president of product development and quality control for Grand Union, based in Elmwood Park, New Jersey. "One of the outlets in which consumers can fulfill their needs is the supermarket."

Grand Union recruited Mohel from the restaurant industry. Through his influence, trained chefs, many Culinary Institute of America graduates, work in each store. With their culinary backgrounds, they have brought to Grand Union a knowledge of food, presentation, and service.

"The one-stop shopping convenience appeals to a strong base of repeat customers," Mohel adds. "Working couples with no time to prepare dinner can purchase a restaurant quality meal while they're buying their basic groceries."

Marsh Supermarkets, a 75-unit chain based in Yorktown, Indiana, found much greater success with take-out prepared foods than with seating. Hot entree-only items, as opposed to full dinners for take-out, suit the chain's needs. "We found our niche. No more hamburgers for us," says Chet Robie, deli/bakery merchandiser.

In larger units, the day's meals sit on a hot steam table for patrons to see. In other stores, entrees are sold cold to be reheated at home.

After its attempt at restaurants, the chain had tried serving carry-out dinners including entree and vegetable. "We had some success with that but portion control was a problem," Robie says.

Customers can pick up a vegetable or other accompaniment at the nearby deli counter instead.

Lucky Stores is another chain expanding into service delis with prepared foods. "It's a trend, it's 1984; it's what the consumer wants," points out Chuck Flowers, head grocery buyer and vice president, northern food division for the Dublin, California-based company.

Ravioli, spaghetti, entrees, sandwiches with a variety of luncheon meats, and a few salads help increase store traffic.

"The service deli is labor intensive," Flowers admits, as do executives of other supermarket chains, "but it can be profitable with a high enough gross."

According to *Supermarket Business*, the median cost of labor as a percentage of sales in a service deli department is 20 percent. The mean average is 22.5 percent, which represents twice the total store labor cost, according to FMI.

Deli business accounts for eight to 12 percent of sales, rather than the standard two or three percent, at the Minneapolis area's Byerly's stores. Upscale atmosphere and well-to-do customer base are conducive to strong deli sales. The six supermarkets owned by Don Byerly feature carpeting, chandeliers, and extra wide aisles. Product mix ranges from the traditional milk, eggs, and paper napkins to an extensive array of international gourmet products and gift items such as fine porcelain statues and jewelry.

Byerly says deli and prepared food sales are the "fastest growing segment" with the chain's middle-to-upper-middle-class customer base. The standard fried chicken remains popular, as do pasta salads and other salads. Salad bars are currently being installed.

As part of its extensive remodelling effort, 1,060-unit The Great Atlantic & Pacific Tea Co. (A&P) is paying close attention to its deli operations. "We're expanding our deli departments and putting in prepared foods in all our remodel units except those in low income areas," says vice president of marketing and corporate affairs Michael Rourke. "In the low-income areas we try to appeal to the customer on price."

Looking at a service deli as a "strong image department," A&P caters to the local clientele with choices such as gourmet salads or ethnic entrees.

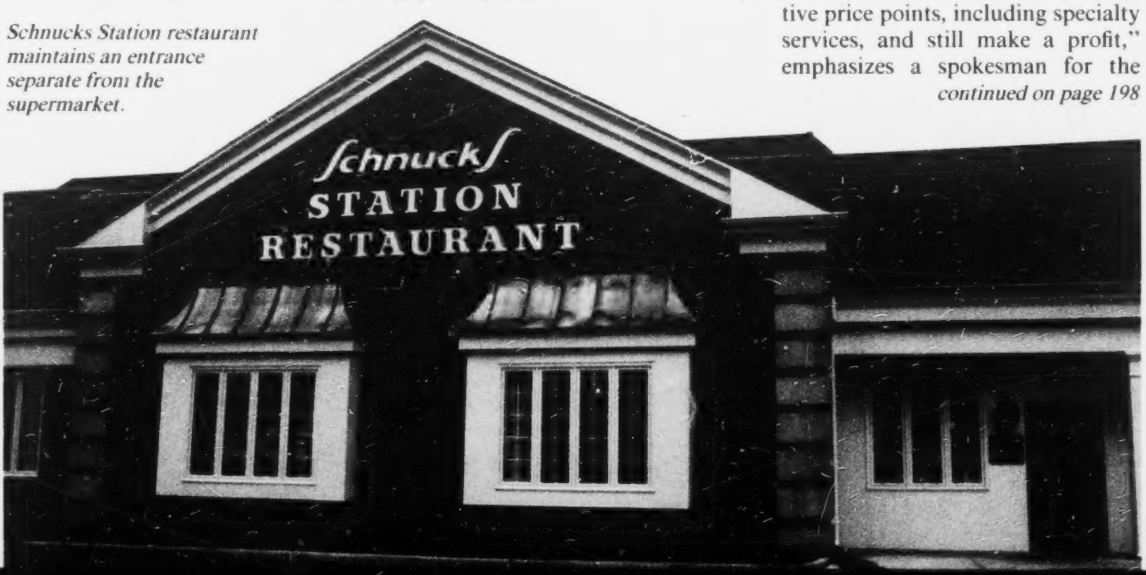
Chains such as the Food Emporium in New York City and Someplace Special in Washington, D.C., are gourmet supermarket concepts.

Catering adds another dimension to the service deli business. Chains of all types offer catering services, ranging from cold cut platters to elegant gourmet spreads.

A spokesman for one East Coast chain insists the service delis are a trend that will die like the others. "It is very difficult to profitably operate a service deli or bakery at competitive price points, including specialty services, and still make a profit," emphasizes a spokesman for the

continued on page 198

Schnucks Station restaurant maintains an entrance separate from the supermarket.



chain, which wishes not to be identified.

He explains the origin of the service deli trend as his chain sees it: "The traditional supermarket faces strong competition today from 'super stores' and 'warehouse stores.' With only 30,000 sq. ft. on average, supermarkets can carry only a limited selection of goods. The 50,000-sq.-ft. super stores have the space to carry a significantly larger mix including 20 percent non-food items. (These are not to be confused with 'hyper markets,' a handful of 80,000-sq.-ft. food stores around the country.) Warehouse stores, basically no-frills concepts, challenge the supermarkets with low prices.

"The question is, 'What does a conventional supermarket do when confronted with a super store on one side and much lower prices on the other?' " the spokesman asks. "It tries to upgrade its product mix and add service departments.

"Upgrading was the rage of 1983, but it has been a failure," he continues. "Supermarkets have not been able to get enough business out of those departments to pay for the additional labor or other expenses."

This chain, as a result, has opted to stick with a self-service-only deli. Freshly sliced meats and cheeses accompany packaged goods as deli department selections.

Restaurants

A majority of the supermarket chains tested seating over the last 10 years. Few have expanded the concept due to disappointing results. Although they continue to operate their test restaurants, they do not build new ones. According to FMI, only 27.6 percent of new supermarkets had foodservice facilities last year, a significant decrease from a 41.4 percent figure in 1982.

Supermarkets generally have one of two types of foodservice facilities: separate restaurants, often with table service and separate entrances; and seating in deli departments, sometimes with cafeteria service.

Indiana's Marsh chain typifies the industry's effort toward foodservice facilities. Four years ago, Marsh tested a sit-down facility that failed for three reasons, according to Chet Robie:

1. The supermarket chain didn't know how to run a foodservice facility.
2. Merchandising had to be approached differently.
3. Labor rates were a high $6 an hour, whereas restaurants can get by with a much lower minimum salary.

In Boise, Idaho, Albertson's Inc., has decided to eliminate seating from its 435 stores as they undergo remodelling. Distressed that it was "half in the deli business and half in the restaurant business," the chain's remodels offer a few hot prepared foods for take-out but concentrate on luncheon meats and cheeses.

"We have one or two delis with sit-down areas, but we don't see a future in it," says Paul Garrison, executive vice president of Birmingham, Alabama-based Bruno's Inc.

The sit-down delis feature cold cuts and hot meals. Held at a steamtable, choices include four meat dishes, four vegetables, and french fries daily.

The installation of sit-down delis the last two years required a major effort; the seating areas were architecturally laid out as part of the building plan. Garrison attributes the restaurants' low sales to the chain's clientele. "Our stores are mostly in rural areas, so our customers are not the ones who would generate a strong repeat business."

Garrison notes that the seating area was most favored in low-income areas with a large elderly population: "The seating is open to passing traffic, so senior citizens enjoy a well-balanced, inexpensive meal while they people-watch."

Although the momentum toward foodservice has slowed down, it has not stopped. Many chains are still experimenting with or expanding their seating areas or restaurants. For example, Dillon Companies, a 59-unit chain based in Hutchinson, Kansas, is adding sit-down delis in some stores. Two stores feature the delis and a third will open this year.

Dillon's foodservice facilities are seating areas where customers may bring purchased deli items. Hot food choices include casseroles, barbecued chicken or ribs, livers, and gizzards. Eight years ago, the company tested a "servateria," but that concept didn't take off due to many stores' rural locations.

A&P is adding seating to its units that do the volume to support it. In its larger Family Mart stores, A&P features a deli seating area with a light menu such as luncheon sandwiches, soup, coffee, and rolls.

Most of Tom Thumb's 56 super-

continued on page 202

Ambrosia celebrates the senses in Houston's Carillon Center

Supermarkets

continued from page 198

The Publix chain has coffee shops in three of its 277 units in Florida.

markets have prepared foods and three-quarters of those include seating areas. All new units have seats. Customers buy their meal, which in some cases is held on a steam table, at the deli counter.

Breakfast includes eggs, bacon, hash browns, toast, homemade biscuits, and sausage. For lunch, choices include chicken fried steak, fried chicken, salisbury steak, beef stroganoff, pepper steak, and lasagna. Average check is $3.

"I'll admit, labor costs are high; we pay supermarket rates, not restaurant rates," says Carroll Brown, vice president of deli/bakery operations for the Texas division of parent company Cullum. "We try to offset that problem with a full line of bakery and deli products, and with cross training. None of our employees is only a fast order cook; each can work a number of stations," he says.

In keeping with its full-service image, Byerly's goes all out with its foodservice. "Our restaurants are open 24 hours a day, and 60 percent of our foodservice customers come only to eat," Don Byerly says. Four of his supermarkets have 150-200-seat restaurants; a fifth unit has a 40-seat lunch counter.

For an average check of $3, Byerly's serves up "Midwest home-cooked meals" such as broiled steaks, soups, and chili.

Byerly says his customer varies from the after-theater crowd to housewives and office workers.

Down in Florida, the Publix chain has been a leader in the supermarket restaurant movement. Three of the 277 Publix units have 94-seat table service coffee shops. "We serve a coffee shop type of menu with items cooked to order," spokesman Mark Hollis explains.

Publix introduced the concept in 1977, and added the others in 1979 and 1982. All are in upper middle and upper income areas, and near a shopping center so both shoppers and mall employees can frequent the foodservice facilities.

Hollis won't release restaurant sales; he just reports that they're "basically profitable." No new facilities are planned, though the company does not rule out the possibility of a restaurant in a large new superstore.

"Somewhat profitable" is how Schnucks Markets vice president of restaurant operations Ted Todd describes the success of that chain's restaurants. Based in Bridgeton, Missouri, Schnucks has restaurants in one-third of its 62 stores.

The Schnucks Station Restaurants feature a railroad theme which attracts both supermarket shoppers and outside traffic.

With 100 to 175 seats, including 30 to 40 counter seats, the table service restaurants serve a variety of hot and cold meals. Open from 6:30 a.m. to 9 p.m., the restaurants have a strong repeat business for breakfast and lunch.

"With the national growth in eating out, our restaurants help us keep those dollars within the company," Todd adds. "This is our opportunity to recapture those lost dollars."

The most recent Schnucks Markets have not incorporated restaurants because of high building and labor costs, but the company is considering including them again.

Bakeries

Fresh baked goods are supplementing prepackaged breads and

continued on page 206

SUPERMARKET SALES AND SERVICES

	Number of Supermarkets	$ Sales (billions)	% with service deli	% with on-premise bake-off	% with catering	% with on-premise scratch bakery	% with self-service deli	% with salad bar	% with snack bar	% with sit-down restaurant/ cafeteria
1973	40,960	89.150	26	13	9	8	N/A	N/A	6	N/A
1974	31,430	93.960	37	19	12	16	N/A	N/A	10	N/A
1975	31,710	103.690	34	20	13	15	N/A	N/A	10	N/A
1976	32,700	114.750	33	20	12	12	N/A	N/A	8	N/A
1977	33,400	138.470	36	23	13	14	N/A	N/A	9	N/A
1978	33,600	154.100	40	26	13	14	N/A	N/A	8	N/A
1979	34,900	102.830	41	26	14	17	N/A	N/A	11	N/A
1980	34,900	170.700	42	24	10	15	28	N/A	9	4
1981	28,680	171.620	49	29	12	16	31	N/A	9	5
1982	28,950	180.700	50	30	14	17	N/A	N/A	N/A	8
1983	29,550	189.170	53	36	15	17	25	8	N/A	11

N/A—These figures are not available.
Source: Progressive Grocer *Magazine*

pies in today's supermarkets. Two types of baked goods dominate the trend. One is scratch products, made in the supermarket. The other is bake-off, meaning products partially made elsewhere but finished in the store.

Some bakeries feature service, while others are self-serve. Self-serve reduces labor costs, but fear of tampering or unsatisfactory sanitation practices make operators wary.

According to *Supermarket Business*, 61 percent of U.S. supermarkets increased bakery sales in 1982 over 1981.

Carroll Brown of Cullum explains why his Tom Thumb stores use primarily bake-off products. "With bake-off, we're assured of fine and qualified bakers," he says. "With 45 bakeries, one in each store, it would be difficult to find enough qualified bakers. Secondly, we save money on space and equipment in the stores."

Cullum's bakery selection includes wedding cakes, donuts, breads, rolls, pies, and more. Customers help themselves to breads and rolls, while cakes and other items are served to them.

Perhaps Chuck Flowers of Lucky Stores best summarizes the movement toward bakeries, service delis, and restaurants: "When I started with Lucky 35 years ago it had service delis, bakeries, and snack bars. Now, the unit I started in doesn't have any of those things. The trend is to add them again. You know how the saying goes, 'What goes around comes around.' "

Gourmet take-out

Consumer interest in finer foods has also benefitted the entrepreneur. The country's major cities, and some other areas, are seeing a proliferation of gourmet take-out-only stores. Some are tied to restaurants, some to catering businesses, and some stand completely on their own.

A pioneer in the business was Zabar's, a Manhattan institution that began as a smoked fish counter 50 years ago. Two doors away from its original upper west side location, Zabar's serves enormous quantities of foods to 35,000 customers a week.

Other New York shops such as Balducci's, Dean & DeLuca, and DDL Foodshow also target the city's gourmands. And with smaller premises and smaller reputations, neighborhood take-out gourmet shops can be found on many streets.

In Houston, caterer Anne Staggs has introduced Ambrosia, "A Celebration of the Senses." Located in the city's Carillon Center, Ambrosia attracts its customers with fresh baked breads, pastries, potted herbs, and fresh pasta. Prepared foods such as champagne chicken, poached salmon, and moussaka round out the menu.

Gaper's Chefs de Cuisine is a similar concept recently opened in Chicago. Main courses, soups and chowders, salads, and desserts, as well as wines and champagnes, all are offered. Entrees for take-out include lamb en croute, saddle of veal with morels, breast of capon with green chili salza, roasted duck with green peppercorn sauce, salmon coulibiac with lemon beurre blanc, and crab gougere with lobster sauce.

Convito Italiano recently opened a Chicago unit, after a successful venture in Wilmette, Illinois. Conceived as "a kind of bridge between America and Italy," Convito Italiano features a large inventory of gourmet salads and prepared foods for take-out.

Convito Italiano encompasses seven shops: a deli, a grocery, a pasta and sauce counter, a wine shop, a hot prepared foods section, an on-premise bakery, and a small cafe.

In Kansas City, Hallmark's American Foodservice Enterprises' Blue Ribbon Delicatessen sells numerous pates, prepared foods, and hearty sandwiches for take-out only. As in many other gourmet take-out stores, the shop's shelves are lined with a large variety of packaged gourmet specialty items for retail sale.

Byerly's restaurants, open 24 hours, offer home-style meals to their Midwest customers.